**Bavarian Nordic A/S**
(a public limited liability company incorporated in Denmark registered under CVR no. 16271187)

**Rights issue of 25,911,252 new shares with a nominal value of DKK 10 each at a subscription price of DKK 109 per new share with preemptive rights for the existing shareholders of Bavarian Nordic A/S at the ratio of 4:5.**

This document (the "**Prospectus**") has been prepared in connection with a capital increase comprising an offering (the "**Offering**") and the admission to trading on Nasdaq Copenhagen A/S ("**Nasdaq Copenhagen**") of 25,911,252 new shares (the "**New Shares**") with a nominal value of DKK 10 each in Bavarian Nordic A/S (the "**Company**") with preemptive rights for the Existing Shareholders (as defined below) of the Company.

Prior to the Offering, the Company's registered share capital is nominal DKK 323,890,650 divided into 32,389,065 shares with a nominal value of DKK 10 each (the "**Existing Shares**" and together with the New Shares, the "**Shares**"). The Company's Existing Shares are admitted to trading and official listing on Nasdaq Copenhagen under the ISIN code DK0015998017.

On March 6, 2020, under the authorization adopted as article 5e in the Company's articles of association, the Company's board of directors (the "**Board of Directors**") resolved to increase the share capital of the Company with nominal DKK 259,112,520 (25,911,252 Shares with a nominal value of DKK 10 each). Each holder of Existing Shares that is registered with VP Securities A/S ("**VP Securities**") on March 11, 2020 at 5.59 p.m. CET (the "**Allocation Time**") as a shareholder in the Company (the "**Existing Shareholders**") will be allocated four (4) preemptive rights (the "**Preemptive Rights**") for each Existing Share. For every five (5) Preemptive Rights, the holder is entitled to subscribe for one (1) New Share at a price of DKK 109 per New Share (the "**Subscription Price**").

The trading period for the Preemptive Rights (the "**Rights Trading Period**") commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET. The subscription period for the New Shares (the "**Subscription Period**") commences on March 12, 2020 and closes on March 25, 2020 at 5.00 p.m. CET. Any Preemptive Rights that have not been exercised during the Subscription Period will lapse with no value, and the holder of such Preemptive Rights will not be entitled to any compensation. Once a holder of Preemptive Rights has exercised such rights and subscribed for New Shares, such subscription cannot be withdrawn or modified by the holder. The Preemptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK0061268638. If a holder of Preemptive Rights does not want to exercise such rights to subscribe for New Shares, the holder may sell the Preemptive Rights during the Rights Trading Period.

The New Shares will be issued under an interim ISIN code DK0061268711 and have been approved for admission to trading and official listing on Nasdaq Copenhagen in the interim ISIN code as from March 10, 2020 and will be traded in the interim ISIN code under the symbol "BANO N". Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place not later than March 30, 2020, and as soon as possible thereafter, the interim ISIN code of the New Shares will be merged with the ISIN code of the Existing Shares, DK0015998017, expected to take place not later than April 1, 2020. Until such merger has been completed, the liquidity and market price of the New Shares under the interim ISIN code may be substantially different from the liquidity and market price of the Existing Shares. All dealings in the New Shares prior to the registration of the New Shares with the Danish Business Authority are for the account, and at the sole risk, of the parties concerned.

The Offering is fully underwritten. Subject to the satisfaction of certain conditions in the underwriting agreement dated March 6, 2020 (the "**Underwriting Agreement**"), any New Shares that have not been subscribed for by holders of Preemptive Rights will be subscribed for by an underwriting syndicate consisting of the Joint Global Coordinators and Joint Bookrunners (the "**Joint Global Coordinators**"). Therefore, subject to satisfaction of such conditions, the Company has ensured that all New Shares will be subscribed for corresponding to aggregate gross proceeds of DKK 2,824 million.

**Investing in the Preemptive Rights and the Shares involves a high degree of risk. See section 1, "*Risk Factors*" for a discussion of certain risks that shareholders and investors should consider before investing in the Preemptive Rights and the Shares.**

The Preemptive Rights and the New Shares will be delivered in book-entry form through allocation to accounts with VP Securities. The New Shares have been accepted for clearance through Euroclear Systems ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**").

The Offering consists of a public offering in Denmark and a private placement outside of Denmark, in compliance with applicable securities laws.

**The offering is subject to Danish law and this Prospectus has been prepared under Danish law in compliance with the requirements set out in Consolidated Act no. 931 of September 6, 2019 on capital markets (the "Danish Capital Markets Act"), the Regulation (EU) 2017/1129 of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "Prospectus Regulation") as well as the commission delegated regulation (EU) 2019/980 of March 14, 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 and the commission delegated regulation (EU) 2019/979 of 14 March 2019 supplementing the Prospectus Regulation with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301 (the "Delegated Prospectus Regulation"). This Prospectus has been drawn-up as a simplified prospectus in accordance with article 14 of the Prospectus Regulation. The registration document (Part I) has been prepared in conformity with Annex 3 and the securities note (Part II) in conformity with Annex 12 of the Delegated Prospectus Regulation. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any of the Preemptive Rights or New Shares in any jurisdiction to any person to whom it would be unlawful to make such an offer in such jurisdiction.**

**Neither the Preemptive Rights nor the New Shares have been or will be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), and they are being offered and sold outside the United States in compliance with applicable exemptions from the registration requirements thereunder. For certain restrictions on receipt, exercise and transfer of the Preemptive Right and New Shares, see section 24.11, "*Jurisdictions in which the Offering will be announced and restrictions applicable to the Offering*". The distribution of this Prospectus and the offer of the Preemptive Right and New Shares in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus comes are required by the Company, the Joint Global Coordinators, Danske Bank A/S (the "Co-Lead Manager") and Needham & Company, LLC (the "Co-Manager" and jointly with the Co-Lead Manager and the Joint Global Coordinators, the "Managers") to inform themselves about and to observe such restrictions.**

## Joint Global Coordinators and Joint Bookrunners

**Citigroup** **Nordea**

Co-Lead Manager
Danske Bank

Co-Manager
Needham & Company

This Prospectus is dated March 6, 2020

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# SUMMARY

## Section A Introduction and warnings

This summary should be read as an introduction to the Prospectus. Any decision to invest in the Preemptive Rights and the New Shares should be based on consideration of the Prospectus as a whole by the shareholders in the Company and investors. Shareholders and investors could lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff shareholder or investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid shareholders and investors when considering whether to invest in the Preemptive Rights and the New Shares. The Existing Shares are issued in the following ISIN code DK0015998017. The issuer is Bavarian Nordic A/S. The address and other contact details of the Company are Philip Heymans Alle 3, DK-2900 Hellerup, telephone number +45 33268383. The Company has the following legal entity identifier number (LEI) 2138006JCDVYIN6INP51. This Prospectus has been approved by the Danish Financial Supervisory Authority as competent authority under the Prospectus Regulation. The address and other contact details of the Danish Financial Supervisory Authority are Århusgade 110, DK-2100 Copenhagen Ø, Denmark, telephone number +45 33558282, email finanstilsynet@ftnet.dk and fax +45 33558200. This Prospectus has been approved on March 6, 2020.

## Section B Issuer

| Sub-section | Disclosure |
|---|---|
| ***Who is the issuer of the securities?*** | The Company is incorporated in Denmark and operates as a public limited liability company under the laws of Denmark. The Company has legal entity identifier number (LEI) 2138006JCDVYIN6INP51. |
| ***Principal activities*** | Bavarian Nordic is a fully integrated biotechnology company developing, manufacturing and commercializing vaccines for the prevention and treatment of life-threatening diseases. Bavarian Nordic focuses on diseases for which the unmet medical need is high and for which it can harness the power of the immune system to induce a response. The Company's own developed vaccines are based on the MVA-BN® platform, an attenuated, non-replicating vaccinia virus, which, when used as a vaccine, has shown to carry fewer side effects than vaccines based on replicating viruses. This platform technology, together with Bavarian Nordic's highly technical expertise in the research, development and manufacturing of MVA-BN vaccines, has generated commercial vaccines for smallpox, monkeypox as well as a compelling pipeline of development projects, including a product candidate for prevention of Ebola, which is licensed to Janssen as part of a two-dose vaccine regimen. A marketing authorization application has been submitted for the Ebola vaccine regimen to EMA with potential approval in 2020. Effective as of December 31, 2019, the Company acquired the commercial and manufacturing rights to Rabipur/RabAvert® for the prevention and treatment of rabies and Encepur® for prevention of tick-borne encephalitis from GlaxoSmithKline plc ("**GSK**"). Both vaccines are also based on attenuated viruses and are manufactured using same type of technology as Bavarian Nordic's existing technology and have been manufactured and sold for more than 20 years. MVA-BN as a stand-alone smallpox vaccine has been developed through a more than 15-year long partnership with the U.S. Government to address their requirements for a non-replicating smallpox vaccine, which can be used in the entire population, including immune compromised persons who are not eligible to receive a replicating smallpox vaccine. Bavarian Nordic has received contracts to date worth more than USD 1.8 billion for the development and supply of the vaccine. Prior to FDA approval in 2019, Bavarian Nordic had delivered 28 million doses of the vaccine for the U.S. Strategic National Stockpile for use in the case of an emergency outbreak. |

| Sub-section | Disclosure |
|---|---|
| ***Major shareholders*** | As at the date of this Prospectus, the Company has received notification that ATP and that Johnson & Johnson Innovation – JJDC, Inc. holds more than 5% of the Company's share capital and voting rights. Johnson & Johnson Innovation – JJDC, Inc. is a wholly-owned subsidiary of Johnson & Johnson Inc. Other than ATP and Johnson & Johnson Innovation – JJDC, Inc., the Company is as of the date of this Prospectus not aware of any person who, directly or indirectly, owns an interest in the Company's share capital or voting rights that is notifiable under Danish law.<br><br>ATP who holds 1,807,231 shares in the Company (as of December 31, 2019) agrees with the Company that the Acquisition is the right strategic decision for the Company particularly, because the production technology of the acquired vaccines is identical to the one used to produce Bavarian Nordic's smallpox vaccine JYNNEOS and it improves utilization of Bavarian Nordic's manufacturing site in Kvistgaard. ATP has also expressed support for the rights issue as necessary to fund the Acquisition. |
| ***Key managing directors*** | As at the date of this Prospectus, the Board of Directors consists of Gerard van Odijk (Chairman), Anders Gersel Pedersen (Deputy Chairman), Erik G. Hansen, Peter Kürstein, Frank Verwiel, Elizabeth McKee Anderson and Anne Louise Eberhard. In addition, the Company's executive management consists of Paul Chaplin (President & Chief Executive Officer). |
| ***Statutory auditors*** | The statutory auditor of the Company is Deloitte Statsautoriseret Revisionspartnerselskab. The Company's financial statement for the financial year ended December 31, 2019 has been audited by Martin Norin Faarborg and Eskild Nørregaard Jakobsen. |

***What is the key financial information regarding the issuer?***

The key financial information shown below has been derived from the Company's (i) consolidated financial statements prepared in accordance with IFRS as adopted by the EU as adopted by the EU and additional requirements of the Danish Financial Statements Act and (ii) pro forma consolidated financial information for the period January 1, 2019 - December 31, 2019 prepared due to the acquisition of the product rights to Rabipur/RabAvert and Encepur and adjusted for the Offering and the repayment of the bridge loan. The pro forma financial information has been compiled on the basis of the applicable criteria and in accordance with the accounting policies as described in the Company's audited consolidated financial statements prepared in accordance with IFRS for the financial year ended on December 31, 2019 incorporated into this Prospectus by reference.

| | | Financial year ending December 31 | | |
|---|---|---|---|---|
| ***Income Statement*** | | | | |
| DKK million | 2019 Pro Forma Financial Information | 2019 | 2018 | 2017 |
| Revenue | 2,153 | 662 | 501 | 1,370 |
| Production costs | 1,280 | 354 | 255 | 291 |
| **Gross profit** | **873** | **308** | **246** | **1,079** |
| Sales and distribution costs | 385 | 54 | 34 | 40 |
| Research and development costs | 414 | 409 | 386 | 518 |
| Administrative costs | 184 | 173 | 180 | 168 |
| **Total operating costs** | **983** | **636** | **600** | **726** |
| **Income before interest and tax** | **(110)** | **(328)** | **(354)** | **353** |
| Financial income | 22 | 22 | 35 | 56 |
| Financial expenses | 52 | 39 | 37 | 107 |
| **Income before company tax** | **(140)** | **(345)** | **(356)** | **302** |
| Tax on income for the year | 20 | 2 | 6 | 121 |
| **Net profit for the year** | **(160)** | **(347)** | **(362)** | **181** |
| ***Key figures*** | | | | |
| EBITDA (non-IFRS) | 220 | (271) | (312) | 391 |

Continues →

| Sub-section | Disclosure |
|---|---|

***What is the key financial information regarding the issuer?*** (continued)

***Income Statement*** (continued)

| DKK million | 2019 Pro Forma Financial Information | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| ***Key ratios*** | | | | |
| Gross profit margin | 41% | 47% | 49% | 79% |
| EBITDA margin | 10% | (41)% | (62)% | 29% |
| Earnings per share | (4.9) | (10.7) | (11.2) | 5.7 |

As of December 31

***Balance Sheet***

| DKK million | 2019 Pro Forma Financial Information | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Product rights | 5,186 | 5,459 | – | – |
| Other intangible assets | 25 | 25 | 33 | 33 |
| Property, plant and equipment | 846 | 846 | 519 | 348 |
| Right-of-use-assets | 61 | 61 | – | – |
| Financial assets | 1 | 1 | 1 | 1 |
| **Total non-current assets** | **6,119** | **6,392** | **553** | **382** |
| Development projects for sale | – | – | 22 | 22 |
| Inventories | 101 | 101 | 79 | 112 |
| Receivables | 246 | 82 | 90 | 53 |
| Securities | 175 | 175 | 2,051 | 2,301 |
| Cash and cash equivalents | 2,046 | 297 | 266 | 283 |
| **Total current assets** | **2,568** | **655** | **2,508** | **2,771** |
| **Total assets** | **8,687** | **7,047** | **3,061** | **3,153** |
| **Equity** | **4,776** | **1,865** | **2,181** | **2,506** |
| Deferred consideration for product rights | 3,151 | 3,151 | – | – |
| Debt to credit institutions | 398 | 1,771 | 646 | 402 |
| Other liabilities | 362 | 260 | 234 | 245 |
| **Total liabilities** | **3,911** | **5,182** | **880** | **647** |
| **Total equity and liabilities** | **8,687** | **7,047** | **3,061** | **3,153** |

Financial year ending December 31

***Cash flow***

| DKK million | 2019 Pro Forma Financial Information | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Cash flow from operating activities | 131 | (276) | (289) | 216 |
| Cash flow from investment activities | (810) | (810) | 17 | (1,345) |
| Cash flow from financing activities | 2,457 | 1,115 | 246 | 613 |
| **Cash flow of the year** | **1,778** | **29** | **(26)** | **(516)** |
| Cash and cash equivalents as of January 1 | 266 | 266 | 283 | 854 |
| Currency adjustments | 2 | 2 | 9 | (55) |
| **Cash and cash equivalents as of December 31** | **2,046** | **297** | **266** | **283** |

| Sub-section | Disclosure |
|---|---|
| ***What are the key risks that are specific to the issuer?*** | The key risks that are specific for the Company are:<br>• A failure to successfully commercialize Bavarian Nordic's vaccines would have a material adverse effect on Bavarian Nordic's business, financial position, results of operations and future growth prospects. If Bavarian Nordic is delayed in establishing or unable to successfully establish a sales function or enter into sales, marketing and distribution arrangements with third parties, Bavarian Nordic may not be successful in commercializing Rabipur/RabAvert or Encepur or expanding the sale of JYNNEOS®/IMVANEX®/IMVAMUNE® beyond governments.<br>• A significant portion of Bavarian Nordic's revenue is generated from the sale of smallpox vaccines to the U.S. Government and to governments in Canada and Europe.<br>• If Bavarian Nordic is unable to complete the technology transfer of the manufacturing process for Rabipur/RabAvert and Encepur within the transition period, Bavarian Nordic will be reliant on the supply of Rabipur/RabAvert and Encepur from GSK on a long-term basis and will be unable to achieve the anticipated cost savings and synergies.<br>• A failure by GSK to supply Rabipur/RabAvert and Encepur to Bavarian Nordic in a timely manner could lead to customers switching to other vaccines and could damage the value of the Rabipur/RabAvert and Encepur brands and Bavarian Nordic's reputation.<br>• Bavarian Nordic's product candidates will need to undergo clinical trials that are time-consuming and expensive, the outcomes of which are unpredictable, and for which there is a high risk of failure. If clinical trials of Bavarian Nordic's product candidates fail to satisfactorily demonstrate safety and efficacy to the EMA, FDA and other similar regulators, Bavarian Nordic may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development of these product candidates.<br>• Bavarian Nordic's vaccines and product candidates, if approved, may fail to achieve the degree of market acceptance by physicians, patients, healthcare payors and others in the medical community necessary for commercial success.<br>• A breakdown of or an attack on Bavarian Nordic's IT systems including cyber security breaches may result in a material disruption of Bavarian Nordic's manufacturing, control measures, commercialization and delivery of its vaccines or of Bavarian Nordic's product candidates.<br>• Bavarian Nordic's vaccines and product candidates are complex to manufacture, and Bavarian Nordic may encounter difficulties in production that could have a material adverse effect on Bavarian Nordic's business and financial results.<br>• Bavarian Nordic relies on third-party suppliers for the raw materials necessary to produce Bavarian Nordic's vaccines and product candidates for Bavarian Nordic's clinical trials.<br>• Bavarian Nordic manufactures clinical and commercial supplies of JYNNEOS/IMVANEX/IMVAMUNE and a number of its product candidates at a single location and intends to also produce Rabipur/RabAvert and Encepur at this location. Any disruption at this facility or in the Company's critical equipment could adversely affect Bavarian Nordic's business and results of operations.<br>• Bavarian Nordic has constructed a new fill and finish facility. If the qualification and validation of the fill and finish facility is delayed or unsuccessful or if Bavarian Nordic face difficulties or delays in operation of the facility once it is fully validated for operation, or cannot staff a sufficient number of experienced employees for the fill and finish facility, this could adversely affect Bavarian Nordic's business and results of operations.<br>• Bavarian Nordic's ability to compete may decline if Bavarian Nordic does not adequately protect its proprietary rights.<br>• If Bavarian Nordic is unable to protect the confidentiality of its trade secrets, its business and competitive position would be harmed.<br>• Government restrictions on pricing and reimbursement, as well as other healthcare payor cost-containment initiatives, may negatively impact Bavarian Nordic's ability to generate revenues. |

## Section C Securities

| Sub-section | Disclosure |
|---|---|
| ***What are the main features of the securities?*** | The Shares, including the New Shares, are not divided into share classes. The Shares are denominated in Danish kroner. As at the date of this Prospectus, the Company's registered share capital is DKK 323,890,650 divided into 32,389,065 Shares of nominal DKK 10 and multiples thereof. |
| ***Rights attached to the New Shares*** | All Shares rank pari passu in respect of voting rights, preemptive rights, redemption, conversion and restrictions or limitations according to the articles of association of the Company, and eligibility to receive dividend or proceeds in the event of dissolution or liquidation. Each Share of nominal DKK 10 entitles its holder to one vote at general meetings of the Company. |
| ***Restrictions*** | The Shares are negotiable instruments and no restrictions under the Articles of Association or Danish law apply to the transferability of the Shares. |
| ***Dividend policy*** | The Company has never declared a dividend. The Company intends to retain future earnings to finance future growth and accordingly, does not anticipate paying cash dividends in the foreseeable future. Depending on Bavarian Nordic's overall performance, the Board of Directors will from time to time, reassess the Company's dividend policy. |
| ***Where will the securities be traded?*** | The Preemptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK0061268638. The New Shares will be issued under an interim ISIN code DK0061268711 and have been approved for admission to trading and official listing on Nasdaq Copenhagen in the interim ISIN code as from March 10, 2020 and will be traded in the interim ISIN code under the symbol "BANO N". Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place not later than March 30, 2020, and as soon as possible thereafter, the interim ISIN code of the New Shares will be merged with the ISIN code of the Existing Shares, DK0015998017, expected to take place not later than April 1, 2020. All dealings in the New Shares prior to the registration of the New Shares with the Danish Business Authority are for the account, and at the sole risk, of the parties concerned. The Existing Shares are admitted to trading and official listing on Nasdaq Copenhagen under the symbol "BAVA". |
| ***What are the key risks that are specific to the securities?*** | The key risks that are specific to the Preemptive Rights and the New Shares are:<br>• The market price of Bavarian Nordic's Shares and Preemptive Rights may be highly volatile. |

## Section D Offering

| Sub-section | Disclosure |
|---|---|
| ***Under which conditions and time-table can I invest in this security?*** | The Company is offering 25,911,252 New Shares with a nominal value of DKK 10 each at the Subscription Price and with Preemptive Rights for the Existing Shareholders at the ratio of 4:5. Each holder of Existing Shares registered with VP Securities on March 11, 2020 at 5.59 p.m. CET as a shareholder in the Company will be allocated four (4) Preemptive Rights for each Existing Share. For every five (5) Preemptive Rights, the holder is entitled to subscribe for one (1) New Share. The Rights Trading Period commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET. The Subscription Period for New Shares commences on March 12, 2020 and closes on March 25, 2020 at 5.00 p.m. CET. Any Preemptive Rights not exercised during the Subscription Period will lapse with no value, and the holder of such Preemptive Rights will not be entitled to compensation. Once a holder of Preemptive Rights has exercised such rights and subscribed for New Shares, such subscription cannot be withdrawn or modified by the holder. The Preemptive Rights and the New Shares have been approved for trading and official listing on Nasdaq Copenhagen. If a holder of Preemptive Rights does not want to exercise such rights to subscribe for New Shares, the holder may sell the Preemptive Rights during the Rights Trading Period. New Shares that have not been subscribed for by the Existing Shareholders through the exercise of their allocated or acquired Preemptive Rights or by other investors through the exercise of their acquired Preemptive Rights before the expiry of the Subscription Period will, without compensation to the holders of unexercised Preemptive Rights, be subscribed for by the Joint Global Coordinators. |
| ***Terms and conditions of the Offering*** | |
| ***Admittance to trading*** | Preemptive Rights will be allocated free of charge to the Existing Shareholders that are registered as Shareholders with VP Securities on March 11, 2020, at 5.59 p.m. CET. Existing Shares traded after March 9, 2020 will be traded without Preemptive Rights, provided that the Existing Shares are traded at customary two-day settlement. The Preemptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK0061268638. The Rights Trading Period commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET. The Offering is being made at the ratio of 4:5, which means that each Existing Shareholder will be allocated four (4) Preemptive Rights for each Existing Share held, and that five (5) Preemptive Rights will be required to subscribe for one (1) New Share at the Subscription Price of DKK 109 per New Share. The Subscription Period for the New Shares commences on March 12, 2020 and closes on March 25, 2020 at 5.00 p.m. CET. The New Shares will be issued under an interim ISIN code DK0061268711 and have been approved for admission to trading and official listing on Nasdaq Copenhagen in the interim ISIN code as from March 10, 2020 and will be traded in the interim ISIN code under the symbol "**BANO N**". Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place not later than March 30, 2020, and as soon as possible thereafter, the interim ISIN code of the New Shares will be merged with the ISIN code of the Existing Shares, DK0015998017, expected to take place not later than April 1, 2020. All dealings in the New Shares prior to the registration of the New Shares with the Danish Business Authority are for the account, and at the sole risk, of the parties concerned. The admission of the Company's Preemptive Rights to trading on Nasdaq Copenhagen as well as the continued admission to trading and official listing of the Shares on Nasdaq Copenhagen are subject to the Company fulfilling the rules issued by Nasdaq Copenhagen, including that a sufficient number of Shares are distributed to the public. |
| ***Dilution*** | As at the date of this Prospectus, the Company has a registered share capital of nominal DKK 323,890,650 divided into 32,389,065 shares with a nominal value of DKK 10 each. Upon issue of all of the New Shares, the percentage of ownership of the Company's Existing Shareholders may be reduced. If the Existing Shareholders refrain from exercising all Preemptive Rights allocated to them, they will be diluted by 44.4 percent. If the Existing Shareholders elect to partly exercise the Preemptive Rights allocated to them, the rate of dilution will be between 0 and 44.4 percent. If the Existing Shareholders exercise their Preemptive Rights in full, they will not be diluted. |

| Sub-section | Disclosure |
|---|---|
| ***Estimated expenses*** | The total expenses in relation to the Offering payable by the Company to the Managers, other advisor fees and expenses and fees related to the Offering, are estimated to be DKK 100 million. In addition, the Company has agreed to pay a subscription commission to Danish account holding banks equivalent to 0.125 percent. None of the Company or the Managers will charge expenses to shareholders and investors. Shareholders and investors will have to bear customary transaction and handling fees charged by their account-holding banks. |
| ***Why is this prospectus being produced?***<br><br>***Net amounts and use of proceeds***<br>***Underwriting agreement*** | The Offering will raise gross proceeds to the Company of DKK 2,824 million. The net proceeds to the Company from the issue of the New Shares are expected to be approximately DKK 2,724 million after deduction of commissions and estimated expenses payable by the Company. The proceeds from the Offering will be used to repay an EUR 185 million Bridge Loan (plus accrued interest and customary breakage costs) borrowed by the Company under the Bridge Loan Agreement (each term as defined below) and applied towards financing the Company's acquisition of commercial and manufacturing rights to Rabipur/RabAvert and Encepur and the associated assets from GSK as completed on December 31, 2019. The Offering is fully underwritten. Subject to the satisfaction of certain conditions set forth in the Underwriting Agreement, any New Shares that have not been subscribed for by holders of Preemptive Rights will be subscribed for by the Joint Global Coordinators. Completion of the Offering is conditional upon the Offering not being withdrawn. The Offering may, subject to the terms of the Underwriting Agreement, be withdrawn at any time prior to registration of the capital increase relating to the Offering with the Danish Business Authority. Any such withdrawal will be notified via Nasdaq Copenhagen. Any Preemptive Rights that are not exercised during the Subscription Period will lapse with no value, and the holder of such Preemptive Rights will not be entitled to compensation. If the Offering is not completed, any exercise of Preemptive Rights that has already taken place will be cancelled automatically. The subscription amount for the New Shares will be refunded (less any transaction costs) to the last registered owner of the New Shares as at the date of withdrawal. All Preemptive Rights will be null and void, and no New Shares will be issued. |
| ***Material conflicts of interest*** | Certain members of the Board of Directors and the Management Team (as defined below) are shareholders, directly or indirectly, in the Company and some of these persons have expressed that they will exercise their Preemptive Rights in whole or in part. In addition, completion of the Offering will be one of numerous targets for the cash bonus for the Management Team in accordance with the Company's remuneration policy. Therefore these persons have an interest in the Offering. The Managers and their respective affiliates have from time to time been engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company. The Managers have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with the interests of the Company's shareholders and prospective investors. In addition, in the ordinary course of business the Managers and their respective affiliates may make or hold a broad array of investments including serving as counterparties to certain derivative and hedging arrangements and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Company. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In particular, the Joint Global Coordinators are lenders under the bridge loan agreement pursuant to which the upfront payment in connection with completion of the acquisition from GSK on December 31, 2019 was partly financed. |

# PART I.
# DESCRIPTION OF THE COMPANY

## 1. RISK FACTORS

*An investment in the Preemptive Rights and the New Shares involves a high degree of financial risk. Shareholders and prospective investors should carefully consider all information in this Prospectus, including the risks described below, before they decide to exercise and/or invest in the Preemptive Rights or the New Shares. This section addresses both general risks associated with the industry in which Bavarian Nordic operates and the specific risks associated with Bavarian Nordic's business. If any such risks were to materialize, Bavarian Nordic's business, financial condition and results of operations could be materially adversely affected, resulting in a decline in the value of the Shares, including the Preemptive Rights and the New Shares. Further, this section describes certain risks relating to the Offering that could also adversely affect the value of the Preemptive Rights and the New Shares.*

*The risks discussed below are those that Bavarian Nordic currently views as material, and such risk factors have, within each category of risks, been listed in an order of priority that reflects their materiality based on the probability of their occurrence and the expected magnitude of their negative impact on Bavarian Nordic. These are, however, not the only risks that Bavarian Nordic faces. Additional risks and uncertainties, including risks that are not known to Bavarian Nordic at present or that it currently deems immaterial, may also arise or become material in the future, which could lead to a decline in the value of the Preemptive Rights and the New Shares.*

### 1.1 Risks related to Bavarian Nordic's business

#### 1.1.1 A failure to successfully commercialize Bavarian Nordic's vaccines would have a material adverse effect on Bavarian Nordic's business, financial position, results of operations and future growth prospects. If Bavarian Nordic is delayed in establishing or unable to successfully establish a sales function or enter into sales, marketing and distribution arrangements with third parties, Bavarian Nordic may not be successful in commercializing Rabipur/RabAvert® or Encepur® or expanding the sale of JYNNEOS® /IMVANEX®/IMVAMUNE® beyond governments

Bavarian Nordic's business and future success is highly dependent on its ability to successfully commercialize its approved vaccines. Whether commercialization is successful will depend on factors such as Bavarian Nordic's ability to successfully execute its strategy and attract and build-up the internal resources necessary to effectively market its vaccines.

Until December 31, 2019 Bavarian Nordic generated a majority of its revenues through sales to governments of Modified Vaccinia Ankara – Bavarian Nordic ("**MVA-BN**") smallpox vaccines as well as through research and development contracts, such as milestone payments from partners relating to the development of product candidates and other related activities. Therefore, Bavarian Nordic has limited experience in the commercialization, including sale, marketing and distribution, of pharmaceutical products beyond governments and is only in the process of establishing a sale and marketing infrastructure.

To achieve commercial success for the sale of Rabipur/RabAvert or Encepur and to expand the sale of JYNNEOS/IMVANEX/IMVAMUNE beyond governments, Bavarian Nordic is currently establishing a sales and marketing function and will therefore accrue commercial expenses going forward. If Bavarian Nordic is not successful in attracting the relevant competences or otherwise in setting up and managing the sales and marketing function in a timely manner, the anticipated income from and benefits arising from Bavarian Nordic's own sales of Rabipur/RabAvert and Encepur would not be achieved, or would only be achieved later than anticipated and could even require Bavarian Nordic to make arrangements with third parties to perform sales and marketing functions on its behalf.

If Bavarian Nordic enters into arrangements with third parties to perform sales, marketing and distribution services, its vaccine revenue or profitability may be lower, perhaps substantially lower, than if Bavarian Nordic was to directly market and sell its vaccines. Furthermore, Bavarian Nordic may be unsuccessful in entering into the necessary arrangements with third parties or may be unable to do so on terms that are favorable to Bavarian Nordic.

Even if Bavarian Nordic is able to enter into acceptable partnerships, Bavarian Nordic may have little or no control over such third parties, and Bavarian Nordic's future collaboration partners may fail to devote the necessary resources and attention to sell and market Bavarian Nordic's vaccines effectively. Budgeting restrictions or strategy changes of Bavarian Nordic's future collaboration partners could delay or prevent successful marketing efforts.

Bavarian Nordic's failure to establish and maintain a successful sales and marketing function could have a material adverse effect on Bavarian Nordic's business, financial position, results of operations and future growth prospects.

### *1.1.2 A significant portion of Bavarian Nordic's revenue is generated from the sale of smallpox vaccines to the U.S. Government and to governments in Canada and Europe*

Bavarian Nordic has entered into contracts with governments, including the U.S. Government and governments in Canada and Europe, regarding the sale of smallpox vaccines, which have historically generated a significant part of Bavarian Nordic's revenues, in particular from the U.S. Government. Bavarian Nordic anticipates that a significant part of its future revenues will continue to be generated from sales to governments. However, there is no guarantee that Bavarian Nordic will be able to maintain existing or enter into new agreements with governments for sale of smallpox vaccines. A failure to renew or termination of Bavarian Nordic's contracts with governments, in particular the U.S. Government, could have a material adverse effect on Bavarian Nordic's business and financial results.

Furthermore, Bavarian Nordic's ability to maintain profitability under agreements with governments requires that Bavarian Nordic is able to estimate accurately the costs of development and supply of certain of its vaccines and product candidates. For example, one of Bavarian Nordic's contracts with the Biomedical Advanced Research and Development Authority ("**BARDA**") is a cost-plus-fixed-fee contract that only reimburses certain specified activities that have previously been authorized by BARDA. There is no guarantee that additional activities will not be needed and, if so, that BARDA will reimburse Bavarian Nordic for these activities.

Additionally, there are significant requirements associated with operating as a government contractor, which includes compliance with applicable regulations, having appropriate accounting, project tracking and earned-value management systems implemented and operational, and Bavarian Nordic may not be able to consistently meet these requirements. Bavarian Nordic's ability to be regularly and fully reimbursed for its activities depends on its ability to comply and demonstrate compliance with such requirements.

Additionally, the supply of smallpox vaccines is considered by many governments to be a matter of national interest. As a result, Bavarian Nordic is subject to substantial political risks, partly in respect of the final decision as to the conclusion of agreements and partly in respect of the terms and conditions of such agreements. Bavarian Nordic seeks to constantly keep close contacts, either through in-house or third-party representatives, with the governments and public authorities with which negotiations take place in order to gain better insight into decision-making patterns. However, changes in political dynamics and priorities could have a material adverse effect on Bavarian Nordic's business and financial results.

### 1.1.3 *If Bavarian Nordic is unable to complete the technology transfer of the manufacturing process for Rabipur/RabAvert and Encepur within the transition period, Bavarian Nordic will be reliant on the supply of Rabipur/RabAvert and Encepur from GSK on a long-term basis and will be unable to achieve the anticipated cost savings and synergies*

As part of the acquisition of Rabipur/RabAvert and Encepur (the "**Acquisition**"), the terms of which are set out in three principal agreements (the "**Acquisition Agreements**"), Bavarian Nordic and GSK will undertake a technology transfer of the manufacturing process for Rabipur/RabAvert and Encepur to Bavarian Nordic. There are always risks inherent in a complex manufacturing transfer process, and there is a risk that the transfer will take longer than expected. This contributes to the risk that Bavarian Nordic may not be able to manufacture Rabipur/RabAvert and Encepur itself or may only be able to manufacture them later than anticipated. It could also result in Bavarian Nordic spending significantly more time and resources on achieving a successful technology transfer than expected. To ensure that GSK is appropriately incentivized to assist in achieving a successful technology transfer, certain milestones of the total consideration for the Acquisition of Rabipur/RabAvert and Encepur are only payable upon completion of a successful transfer process. A technology transfer plan has also been agreed between the parties to set out each party's responsibilities for successfully transferring the manufacturing process. These mitigation steps, however, do not eliminate the risk that the transfer process may take significantly longer than anticipated and, in such an event, Bavarian Nordic would be reliant on GSK for supply of Rabipur/RabAvert and Encepur for longer than anticipated in current plans. If the transfer process is delayed, Bavarian Nordic's realization of anticipated cost savings and synergies from the Acquisition would also be delayed.

### 1.1.4 *A failure by GSK to supply Rabipur/RabAvert and Encepur to Bavarian Nordic in a timely manner could lead to customers switching to other vaccines and could damage the value of the Rabipur/RabAvert and Encepur brands and Bavarian Nordic's reputation*

GSK and Bavarian Nordic have agreed to undertake a technology transfer of the manufacturing process for the Rabipur/RabAvert and Encepur vaccines to Bavarian Nordic, but such transfer is anticipated to take up to five years. The technology transfer will be staged, starting with packaging then filling and ending with the transfer of the bulk manufacturing. Bavarian Nordic will, however, begin assuming sales and marketing responsibility for Rabipur/RabAvert and Encepur prior to the completion of the technology transfer process, during which time Bavarian Nordic will be reliant on supply of Rabipur/RabAvert and Encepur from GSK. If GSK fails to supply Rabipur/RabAvert and Encepur for any reason, there is a significant delay in the supply of Rabipur/RabAvert and Encepur, or a significant number of vaccines supplied are defective in some way, then Bavarian Nordic may not be able to supply its customers. This could lead to customers switching to alternative vaccines and could damage the value of Rabipur/RabAvert and Encepur and Bavarian Nordic's reputation in the market. In addition, if GSK experiences any disruption while manufacturing Rabipur/RabAvert and Encepur on behalf of Bavarian Nordic, and neither GSK nor Bavarian Nordic is successful in quickly resolving the disruption, this may significantly impact Bavarian Nordic's business and the value of Rabipur/RabAvert and Encepur to Bavarian Nordic.

### 1.1.5 *Bavarian Nordic's product candidates will need to undergo clinical trials that are time-consuming and expensive, the outcomes of which are unpredictable, and for which there is a high risk of failure. If clinical trials of Bavarian Nordic's product candidates fail to satisfactorily demonstrate safety and efficacy to the EMA, FDA and other similar regulators, Bavarian Nordic may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development of these product candidates*

The European Commission (following review by the European Medicines Agency's ("**EMA**")) in Europe, the Food and Drug Administration's ("**FDA**") in the United States and comparable regulatory authorities in other jurisdictions must approve new drug or biologic candidates before they can be marketed, promoted or sold in those territories. Bavarian Nordic must provide these regulatory authorities with data from nonclinical studies and clinical trials that demonstrate that Bavarian Nordic's product candidates are safe and effective for a specific indication before they can be approved for commercial distribution.

Preclinical testing and clinical trials are long, expensive and unpredictable processes that can be subject to extensive delays. Bavarian Nordic cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all.

It may take several years to complete the preclinical testing and clinical development necessary to commercialize a product candidate, and delays or failure can occur at any stage. Interim results of clinical trials do not necessarily predict final results, and success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful. Bavarian Nordic experienced this in 2017, when the Data Monitoring Committee determined discontinuation of the Phase 3 study of PROSTVAC in patients with metastatic castration-resistant prostate cancer (the "**Prospect Study**"). A number of companies in the pharmaceutical, biopharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials even after promising results in earlier trials, and Bavarian Nordic cannot be certain that it will not face similar setbacks. The design of a clinical trial can determine whether its results will support approval of a product, and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. An unfavorable outcome in one or more trials would be a major setback for Bavarian Nordic's product candidates and for Bavarian Nordic. An unfavorable outcome in one or more trials may require Bavarian Nordic to delay, reduce the scope of or eliminate one or more product candidates or/and product development programs, which could have a material adverse effect on Bavarian Nordic's business and financial results.

In connection with clinical testing and trials, Bavarian Nordic faces several risks, including risks that:

- a product candidate is ineffective, inferior to existing approved vaccines for the same indications, unacceptably toxic or has unacceptable side effects;
- patients may die or suffer other adverse effects for reasons that may or may not be related to the product candidate being tested;
- extension studies on long-term tolerance could invalidate the use of Bavarian Nordic's vaccine;
- the results may not confirm the positive results of earlier testing or trials;
- the results may not meet the level of statistical significance required by the EMA, FDA or other regulatory agencies to establish the safety and efficacy of Bavarian Nordic's product candidates for continued trial or marketing authorization; and
- Bavarian Nordic's collaborators or contract research organizations ("**CROs**"), are unable or unwilling to perform under their contracts.

The results of preclinical studies do not necessarily predict clinical success, and larger and later-stage clinical trials may not produce the same results as earlier-stage clinical trials.

In addition, Bavarian Nordic cannot assure that in the course of potential widespread use of any of its product candidates in future, Bavarian Nordic will not suffer setbacks in maintaining manufacturing quality or stability. In addition, clinical trials of potential products often reveal that it is not possible or practical to continue development efforts for these product candidates. If Bavarian Nordic does not successfully complete preclinical and clinical development, Bavarian Nordic will be unable to market and sell its product candidates and generate additional revenue. Even if Bavarian Nordic successfully completes clinical trials, those results are not necessarily predictive of results of additional trials that may be needed before marketing applications may be submitted to the EMA or FDA, as applicable.

This lengthy approval process, as well as the unpredictability of ongoing clinical trial results, may result in Bavarian Nordic's or Bavarian Nordic's collaboration partners' failure to obtain regulatory approval to market Bavarian Nordic's product candidates, which would harm Bavarian Nordic's business, financial position, results of operations and future growth prospects significantly. In addition, even if Bavarian Nordic or Bavarian Nordic's collaboration partners were to obtain approval, regulatory authorities may approve any of Bavarian Nordic's product candidates for fewer or more limited indications than requested, may grant approval contingent on the performance of costly post marketing clinical trials or may approve a product candidate with a label that does not include the labelling claims necessary or desirable for the successful commercialization of that product candidate. In certain jurisdictions, regulatory authorities may not approve the price Bavarian Nordic or Bavarian Nordic's collaboration partners intend to charge for Bavarian Nordic's products. Any of the foregoing scenarios could materially harm the commercial prospects of Bavarian Nordic's product candidates.

Furthermore, Bavarian Nordic sometimes estimates for planning purposes the timing of the accomplishment of various scientific, clinical, regulatory and other product development objectives. These milestones may include Bavarian Nordic's expectations regarding the commencement or completion of scientific studies, clinical trials and the submission of regulatory filings or commercialization objectives. From time to time, Bavarian Nordic may publicly announce the expected timing of some of these milestones, such as the completion of an ongoing clinical trial, the initiation of other clinical programs, receipt of marketing authorization or a commercial launch of a product. The achievement of many of these milestones may be outside of Bavarian Nordic's control. All of these milestones are based on a variety of assumptions, which may cause the timing of achievement of the milestones to vary considerably from Bavarian Nordic's estimates. If Bavarian Nordic fails to achieve announced milestones in the timeframes Bavarian Nordic expects, the commercialization of Bavarian Nordic's product candidates may be delayed, Bavarian Nordic may not be entitled to receive certain contractual payments and it could have a material adverse effect on Bavarian Nordic's business and financial results.

### 1.1.6 *Bavarian Nordic's vaccines and product candidates, if approved, may fail to achieve the degree of market acceptance by physicians, patients, healthcare payors and others in the medical community necessary for commercial success*

Bavarian Nordic's vaccines and product candidates, for which marketing authorization is received or if any marketed vaccines receive marketing authorization for additional indications, they may nonetheless fail to gain sufficient market acceptance by physicians, patients, healthcare payors and others in the medical community. If Bavarian Nordic's vaccines or product candidates do not achieve an adequate level of acceptance, Bavarian Nordic's commercial opportunity may be limited and/or revenues from sales of these vaccines may be negatively impacted. The degree of market acceptance of Bavarian Nordic's vaccines and product candidates and new indications for marketed vaccines, if approved for commercial

sale, will depend on a number of factors, including the price, efficacy, safety, convenience and ease of administration of such products, along with their competitive advantages vis-à-vis other therapies, designation as a first-, second- or third-line treatment, any labelling restrictions or warnings, changes in physicians' treatment preferences, reimbursement policies and marketing and distribution. The processes developed for safe administration and any changes to the standard of care for the targeted indications may also have an impact on market acceptance of such products. The willingness of the target patient population to try, and of physicians to prescribe, the product, as well as the availability and amount of coverage and reimbursement from government payors, managed care plans and other third-party payors are also key factors that impact market acceptance of a new product. In addition, the strength of the sales, marketing and distribution support provided by Bavarian Nordic or its partners will play a key role in the effective commercialization of a new product.

As an example, Bavarian Nordic's monkeypox vaccine, JYNNEOS, is the first and only approved vaccine in this indication. Monkeypox is an emerging disease and for that reason, to successfully market this vaccine, the Company needs to increase awareness and build a market for this product. Market acceptance may generally be less than expected and/or competitors may successfully obstruct commercialization efforts or may introduce products which gain larger market acceptance.

### *1.1.7 Bavarian Nordic faces competition from companies with considerably more resources and experience than Bavarian Nordic, including GSK, which may result in others discovering, developing, receiving approval for or commercializing products before or more successfully than Bavarian Nordic*

The pharmaceutical and biotechnology industries are highly competitive. Numerous laboratories, companies, institutions, universities and other research entities are actively involved in the discovery, research, development and marketing of vaccines to prevent infectious diseases and therapeutics to treat cancer, making them highly competitive fields. Bavarian Nordic has competitors in each of the industry verticals in which Bavarian Nordic competes, many of which have substantially greater name recognition, commercial infrastructure and financial, technical and personnel resources than Bavarian Nordic. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with larger and established companies. Although the number of competing vaccines for Rabipur/RabAvert and Encepur is limited, the markets where Rabipur/RabAvert and Encepur are marketed and sold are quite competitive.

Bavarian Nordic competes in the areas of biodefense, commercial vaccines and treatment of infectious disease indications and immunotherapies for the treatment of cancer and many companies are developing or offering pharmaceutical products that may address one or more indications that Bavarian Nordic's vaccines or product candidates target. In addition, other companies compete for government contracts to develop, manufacture and commercialize vaccines for potential bioterror threats in the same way as Bavarian Nordic.

Other companies may develop and commercialize vaccines with improved safety profile, increased effects and/or marketed at lower prices than Bavarian Nordic's vaccines and product candidates, which ultimately may effect Bavarian Nordic's ability to commercialize its vaccine and product candidates and its ability to generate revenue going forward.

GSK has undertaken to only supply Rabipur/RabAvert and Encepur to Bavarian Nordic and no third-party during the term of the manufacturing and supply agreement and 5 years thereafter, save for any supply obligations GSK may have under the agreement with Bharat or if requested to supply by a governmental entity in circumstances where Bavarian Nordic is not able to fulfil such requirement. GSK and Bavarian

Nordic have also agreed that if, in the 10-year period following completion of the Acquisition, in respect of a vaccine for the prophylaxis of rabies, GSK either (i) submits a marketing authorization or new drug application to any regulatory authority, or (ii) seeks to license such vaccine to a third party, then GSK must submit details of such vaccine to Bavarian Nordic and Bavarian Nordic has a right of first negotiation with respect to exclusive commercialization rights for such vaccine in the European Union and the United States. When the 10-year period following completion of the Acquisition has expired, GSK is free to submit a marketing authorization application, or to out-license such technology to a third party without offering a right of negotiation to Bavarian Nordic. This could result in a new, potentially superior, vaccine entering the market which would compete with Bavarian Nordic's vaccines. Equally, if during the 10-year period GSK develops a new rabies vaccine and the parties cannot agree on suitable terms, then GSK could out-license the new vaccine to a third party or could develop and commercialize such new vaccine themselves.

Also, other competitors may develop novel vaccines or other technologies that could make Bavarian Nordic's vaccines and/or product candidates obsolete or uneconomical. Any of Bavarian Nordic's vaccines and/or product candidates that compete with other pharmaceutical products or candidates may need to demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to be commercially successful. Any of Bavarian Nordic's vaccines and product candidates could also face other competitive factors in the future, including biosimilar competition, which could force Bavarian Nordic to lower prices or could result in reduced sales. Any failure to compete effectively against Bavarian Nordic's current and future competitors could have a material adverse effect on Bavarian Nordic's business and financial results.

### *1.1.8 Serious adverse safety events involving Bavarian Nordic's vaccines or product candidates can negatively affect Bavarian Nordic's business*

Serious adverse safety events involving Bavarian Nordic's vaccines or any of Bavarian Nordic's product candidates which may receive marketing authorization in the future may have a negative impact on Bavarian Nordic's commercialization efforts. Later discovery of safety issues with Bavarian Nordic's vaccines that were not known at the time of their approval by the EMA, FDA or comparable regulatory agencies in other countries could cause product liability litigation exposure, additional regulatory scrutiny and requirements for additional labelling, limitations upon patient, prescriber and/or physician access, imposition of a risk evaluation and mitigation strategy by the FDA, vaccines recalls, withdrawal of vaccines from the market and the imposition of fines or criminal penalties. Any of these actions could result in material impairments of assets, material restructuring charges and other adverse impacts on Bavarian Nordic's results of operations. In addition, the reporting of adverse safety events involving Bavarian Nordic's vaccines and public rumors about such events could cause Bavarian Nordic's share price to decline or experience periods of volatility.

### *1.1.9 The pricing of Bavarian Nordic's vaccines and product candidates, if and when approved for marketing, will depend in part on external regulatory factors and in part on pricing strategies adopted by competitors*

The pricing of certain of Bavarian Nordic's vaccines and product candidates, if and when approved for marketing, will depend, in part, on external regulatory factors and pricing strategies adopted by competitors. Continued attention to, and pressure on, the pricing of pharmaceutical products could lead to regulatory reforms and legislative changes negatively impacting the prices of pharmaceuticals and the value of Bavarian Nordic's vaccines and product candidates. Pricing strategies adopted by competitors could also impact prices and the value of Bavarian Nordic's vaccines and product candidates. Milestone and royalty payments that Bavarian Nordic could receive from collaboration partners from the sale of any product candidates, if and when approved for marketing, will be based in part on sales and such partner will determine their own pricing policy in respect of such products.

### 1.1.10 *GSK is only obliged to supply Bavarian Nordic up to an agreed volume of vaccines, which may be less than Bavarian Nordic requires to meet its demand during the transition period*

The manufacturing and supply agreement entered into between Bavarian Nordic and GSK includes an agreed (minimum) vaccine manufacturing capacity that GSK is required to make available to Bavarian Nordic during the transition period, should Bavarian Nordic place orders for such vaccine volume (the "**Agreed Volume**"). This Agreed Volume has been negotiated with GSK taking into account Bavarian Nordic's own forecasts of its future requirements for Rabipur/RabAvert and Encepur and GSK's available production capacity. If the demand for any of the vaccines proves to be higher than the Agreed Volume, then there is no obligation on GSK to supply such additional volume of vaccine beyond the Agreed Volume, unless otherwise agreed. Therefore, in the event that the demand for one or more of the vaccines proves to be materially higher than Bavarian Nordic expects, there is a risk that Bavarian Nordic may not be able to obtain sufficient quantities of Rabipur/RabAvert and Encepur from GSK to meet demand.

### 1.1.11 *Bavarian Nordic is reliant on the master seed bank to be able to manufacture the Rabipur/ RabAvert and Encepur vaccines*

The manufacture of both the Rabipur/RabAvert and Encepur vaccines is dependent on the availability of the respective master and working seed banks and, if such seed banks are not available, recreating them would be expensive and time consuming which could result in difficulty of manufacturing the vaccines with a consequent loss of revenue. Following completion of the Acquisition, it is envisaged that Bavarian Nordic will obtain a sample of each of the master seed banks but the majority of the seed banks will be in the possession and controlled by GSK given that they are necessary for the manufacture of the vaccines acquired. Bavarian Nordic is dependent on GSK transferring these seed banks to Bavarian Nordic in accordance with the technology transfer plan. Any loss or contamination of the seed banks or a failure by GSK to transfer the seed banks to Bavarian Nordic in accordance with the technology transfer plan, could result in significant delays and other issues in manufacturing the vaccines with the risk of a consequential loss of revenue.

### 1.1.12 *Bavarian Nordic is reliant on GSK performing its obligations under the Acquisition Agreements to transfer the marketing authorizations to Bavarian Nordic prior to the agreed long stop dates*

If GSK is not able to transfer the marketing authorizations relating to Rabipur/RabAvert and Encepur to Bavarian Nordic prior to the date on which the longstop dates provided for in the transition agreement expires, then GSK's obligations to maintain the marketing authorizations will expire. The longstop dates are set on a market-by-market basis with the intention being that the transfer of the marketing authorizations for those countries with the higher levels of sales will be given priority. If GSK fails to transfer a marketing authorization in good time and the longstop date expires with the result that the marketing authorization lapses, then Bavarian Nordic would have to reapply for that marketing authorization in that country which could be time consuming and costly and during which period, the relevant vaccine cannot be marketed or sold in such country. In such an event, and if the cause of the delay was not within the reasonable control of GSK, then GSK shall be entitled to charge Bavarian Nordic for any actions it takes to resolve the causes of such delay and to effectuate the transfer.

### 1.1.13 *Bavarian Nordic is reliant on GSK performing its obligations under the Acquisition Agreements for Rabipur/RabAvert and Encepur and, if GSK breaches any obligation, Bavarian Nordic may not be able to recover all of the losses it suffers as a result and in addition, Bavarian Nordic may be liable under the Acquisition Agreements, in particular if Bavarian Nordic is not able to pay the milestone payments, as they become payable*

If GSK breaches its obligations under the Acquisition Agreements, there are a variety of liability provisions which allow, in certain circumstances, 100% of the total consideration to be recovered but, in the event of other breaches, only allow for a certain proportion of the consideration or impose other liability caps on the amount that Bavarian Nordic can recover. There are also a number of liability exclusions included in the Acquisition Agreements. Together the liability caps and liability exclusions imply that, in certain circumstances, Bavarian Nordic may not be able to recover some or all of the losses that it may suffer as a result of a breach by GSK of its obligations. Likewise, Bavarian Nordic may also be liable under the Acquisition Agreements, in particular if Bavarian Nordic is not able to pay the milestone payments as they become payable under the Acquisition Agreements.

### 1.1.14 *Bavarian Nordic's vaccines and product candidates for which Bavarian Nordic obtains marketing authorization could be subject to post-marketing restrictions or withdrawal from the market, and Bavarian Nordic may be subject to substantial penalties if Bavarian Nordic fails to comply with regulatory requirements or experience unanticipated problems with Bavarian Nordic's products following approval*

Bavarian Nordic's vaccines or any of Bavarian Nordic's product candidates for which Bavarian Nordic obtains marketing authorization, as well as the manufacturing processes, post-approval studies and measures, labeling, advertising and promotional activities for such products, among other things, will be subject to continued requirements of and review by the EMA, FDA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing authorization of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, including the FDA requirement to implement a Risk Evaluation and Mitigation Strategy, if applicable, to ensure that the benefits of a drug or biological product outweigh its risks.

The EMA and FDA may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of a product, such as long-term observational studies on natural exposure. The FDA and other agencies, including the U.S. Department of Justice, closely regulate and monitor the post-approval marketing and promotion of products to ensure that the products are manufactured, marketed and distributed only for the approved indications and in accordance with the provisions of the approved labeling. The EMA and FDA impose stringent restrictions on manufacturers' communications regarding off-label use and if Bavarian Nordic does not market any of its product candidates for which Bavarian Nordic receives marketing authorization for only their approved indications, Bavarian Nordic may be subject to warnings or enforcement action for off-label marketing. Violation of the U.S. Federal Food Drug and Cosmetic Act, and other statutes, including the U.S. False Claims Act, relating to the promotion and advertising of prescription drugs may lead to investigations or allegations of violations of U.S. federal and state health care fraud and abuse laws and state consumer protection laws.

### 1.1.15 *For certain clinical development programs, Bavarian Nordic is depending on collaboration partners to develop and conduct clinical trials with, obtain regulatory approvals for, and market and sell Bavarian Nordic's product candidates. If such collaboration partners fail to perform as expected, the potential for Bavarian Nordic to generate future revenue from such product candidates would be significantly reduced*

For certain programs, Bavarian Nordic may rely on its collaboration partners to develop, conduct clinical trials of, and commercialize Bavarian Nordic's product candidates. Bavarian Nordic has existing collaborations with Crucell Holland B.V and Janssen Pharmaceuticals Inc. (collectively referred to as "**Janssen**"), the National Cancer Institute in the United States ("**NCI**"), the Public Health Service in the United States ("**PHS**") and the National Institute of Health in the United States ("**NIH**"). Bavarian Nordic may also enter into collaboration agreements with other parties in the future relating to other product candidates. Ultimately, if such product candidates are advanced through clinical trials and receive marketing authorization from the EMA, FDA or similar regulatory authorities, certain of Bavarian Nordic's collaboration partners may be responsible for commercialization of these collaboration products. The potential for Bavarian Nordic to obtain future development milestone payments and, ultimately, generate revenue from royalties on sales of such collaboration products depends on the successful development, regulatory approval, marketing and commercialization by Bavarian Nordic's collaboration partners.

Collaborations involving Bavarian Nordic's out-licensed product candidates pose a number of risks, including the following:

- collaboration partners have significant discretion in determining the efforts and resources that they will apply to these partnerships;
- collaboration partners may not perform their obligations as expected;
- collaboration partners may not pursue development and commercialization of Bavarian Nordic's out-licensed product candidates or may elect not to continue or renew development or commercialization programs, based on clinical trial results, changes in the collaboration partners' strategic focus or available funding or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaboration partners may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaboration partners may have or could independently develop, or develop with third parties, products that compete directly or indirectly with Bavarian Nordic's out-licensed product candidates;
- disagreements with collaboration partners, including disagreements over proprietary rights, contract interpretation or the conduct of product research, development or commercialization programs, may cause delays or lead to termination of such programs, or require Bavarian Nordic to assume unplanned expenditures, responsibilities or liabilities with respect to product candidates Bavarian Nordic have out-licensed, or may result in costly and time consuming litigation or arbitration;
- collaboration partners may infringe the intellectual property rights of third parties, which may result in costly and time-consuming litigation or arbitration in which Bavarian Nordic may be involved, as a party or in support of collaboration partners;
- collaboration partners with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;

- collaboration partners with marketing and distribution rights may incur costs that have the effect of reducing the base on which royalties are calculated;
- collaboration partners may infringe the intellectual property rights of third parties, which may expose Bavarian Nordic to litigation and potential liability; and
- collaboration agreements may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates.

If Bavarian Nordic's collaboration partners do not perform in the manner Bavarian Nordic expects or fail to fulfill their responsibilities in a timely manner, or at all, if Bavarian Nordic's agreements with them terminate or if the quality or accuracy of the clinical data they obtain is compromised, the clinical development, regulatory approval and commercialization efforts related to Bavarian Nordic's product candidates could be delayed or terminated and it could become necessary for Bavarian Nordic to assume the responsibility at Bavarian Nordic's own expense for the clinical development of such product candidates. In that event, Bavarian Nordic would likely be required to limit the size and scope of efforts for the development and commercialization of such product candidate; Bavarian Nordic could be required to seek additional financing to fund further development or identify alternative strategic collaboration partners; Bavarian Nordic's potential to generate future revenue from royalties and milestone payments from such product candidates would be significantly reduced or delayed; and it could have a material adverse effect on Bavarian Nordic's business and financial results.

In addition, certain collaboration agreements provide Bavarian Nordic's collaboration partners with rights to terminate such agreements and licenses under various conditions, which, if exercised, would adversely affect Bavarian Nordic's product development efforts, could make it difficult for Bavarian Nordic to attract new partners and adversely affect Bavarian Nordic's reputation. Bavarian Nordic's collaboration partners may have the right to terminate their respective collaboration agreements with Bavarian Nordic in the event of one or more of the following reasons: Bavarian Nordic's uncured material breach of the agreement for convenience or Bavarian Nordic's failure, or Bavarian Nordic's product candidates' failure to meet certain specified milestones.

The timing and amount of any milestone and royalty payments Bavarian Nordic may receive under its agreements with its collaboration partners will depend on, among other things, the efforts, allocation of resources, and successful development and commercialization of Bavarian Nordic's product candidates. Bavarian Nordic cannot be certain that any of the development and regulatory milestones will be achieved or that Bavarian Nordic will receive any future milestone payments under these agreements. In addition, in certain circumstances Bavarian Nordic may believe that it has achieved a particular milestone and the applicable collaboration partner may disagree with Bavarian Nordic's belief. In that case, receipt of that milestone payment may be delayed or may never be received, potentially requiring Bavarian Nordic to adjust its operating plans which may have a material adverse effect on Bavarian Nordic's business and financial results.

### *1.1.16 Bavarian Nordic's business is subject to periodic audit by the U.S. Government and a negative audit could adversely affect Bavarian Nordic's business*

U.S. Government agencies, such as the Department of Health and Human Services (the "**HHS**"), routinely audit and investigate government contractors and recipients of federal grants, including Bavarian Nordic's contracts with BARDA. These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards.

The HHS can also review the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while such costs already reimbursed must be repaid. If an audit uncovers improper or illegal activities, Bavarian Nordic may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from conducting business with the U.S. Government.

In addition, Bavarian Nordic could suffer serious reputational harm if allegations of impropriety were made against it by the U.S. Government.

### 1.1.17 *Bavarian Nordic selectively relies on third parties to conduct its clinical trials and perform data collection and analysis, which may result in costs and delays that prevents Bavarian Nordic from successfully commercializing its product candidates*

Bavarian Nordic currently selectively relies, and expects to continue to selectively rely, on public and private research institutions, medical institutions, clinical investigators, CROs, contract laboratories and collaborators to conduct some of its early-stage product development activities, perform data collection and analysis and to carry out its clinical trials. Bavarian Nordic's development activities or clinical trials conducted in reliance on third parties may be delayed, suspended or terminated if:

- the third parties do not devote a sufficient amount of time or effort to Bavarian Nordic's activities or otherwise fail to successfully carry out their contractual duties or to meet regulatory obligations or expected deadlines;
- Bavarian Nordic replaces a third-party; or
- the quality or accuracy of the data obtained by third parties is compromised due to their failure to adhere to clinical protocols, regulatory requirements or for other reasons.

Bavarian Nordic generally does not have the ability to control the performance of third parties in their conduct of development activities. Third-party performance failures may increase Bavarian Nordic's development costs, delay Bavarian Nordic's ability to obtain regulatory approval and delay or prevent the commercialization of Bavarian Nordic's product candidates. While Bavarian Nordic believes that there are alternative sources to provide these services, in the event that Bavarian Nordic seeks such alternative sources, Bavarian Nordic may not be able to enter into replacement arrangements without incurring delays or additional costs.

### 1.1.18 *The speed at which Bavarian Nordic completes Bavarian Nordic's preclinical studies and clinical trials depend on many factors*

Patient enrollment, a significant factor in the timing of clinical trials, is affected by many factors, including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to other available therapies, including any new drugs that may be approved for the indications Bavarian Nordic is investigating. Because there is a relatively limited number of patients worldwide, patient enrollment may be challenging. As an example, enrollment of patients for the Phase 3 study of the former prostate cancer vaccine candidate, PROSTVAC, was delayed due to an insufficient number of clinical trial sites being timely activated. Any of these occurrences may harm Bavarian Nordic's clinical trials Bavarian Nordic's business, financial position, and future growth prospects.

### 1.1.19 *Bavarian Nordic may need to raise additional funding, which may not be available on acceptable terms, or at all, and failure to obtain such funding when needed may force Bavarian Nordic to delay, limit or terminate its product development efforts or other operations*

Bavarian Nordic is currently advancing its internal product candidates through clinical development and is conducting preclinical studies with respect to other programs. Developing product candidates is expensive, lengthy and risky. Bavarian Nordic expects its research and development investments to continue in connection with ongoing activities, and to increase in connection with progression of programs into Phase 3 clinical studies. The next product candidate expected to progress into Phase 3 is Bavarian Nordic's MVA-BN RSV for prevention of respiratory syncytial virus ("**RSV**"). Phase 3 of MVA-BN RSV is anticipated to cost between USD 90 million and USD 110 million over two vaccination seasons, and the trial is planned to be initiated in 2021 prior to the vaccination season.

As of December 31, 2019, Bavarian Nordic's cash and cash equivalents were DKK 297 million. The net proceeds from the Offering are estimated to be approximately DKK 1,342 million after repayment of the Bridge Loan. Bavarian Nordic's expects that the net proceeds from the Offering, Bavarian Nordic's existing cash and cash equivalents, revenue from vaccines and milestones pursuant to collaborations and other committed sources of funds will be sufficient to engage Bavarian Nordic to fund the anticipated operating expenses, capital expenditure and debt service requirements for the next 12 months following the date of this Prospectus. However, Bavarian Nordic's operating plans may change as a result of a variety of factors, and Bavarian Nordic may need to seek additional funds sooner than planned through public or private equity offerings, debt financings or corporate collaboration and licensing agreements. Further, Bavarian Nordic may seek additional capital if market conditions are favorable or if Bavarian Nordic has specific strategic considerations.

The European Investment Bank ("**EIB**") has granted the Company certain term loans pursuant to two separate committed loan agreements (the "**EIB Loan Agreements**"). The EIB Loan Agreements contain various restrictive covenants, such as restrictions on providing security (negative pledge), disposals, incurrence financial indebtedness, change of business, mergers, granting loans and guarantees, and requirements to provide financial and certain other information to the lender. The EIB Loan Agreements also contain provisions pursuant to which Bavarian Nordic is not, except as part of incentive programmes, entitled to distribute dividends or repurchase shares in an amount exceeding EUR 1,000,000 in any financial year.

In the event of a default under any of Bavarian Nordic's loan agreements, the lender has the right to require immediate repayment of the outstanding loans or cancel the credit. Bavarian Nordic's assets and cash flow may not be sufficient to fully repay these debts in such circumstances.

Any additional fundraising efforts may divert management from their day-to-day activities, which may adversely affect Bavarian Nordic's ability to commercialize its vaccines, develop and commercialize Bavarian Nordic's product candidates and otherwise implement Bavarian Nordic's strategy. In addition, Bavarian Nordic cannot guarantee that future financing will be available in sufficient amounts or on acceptable terms, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of Bavarian Nordic's Shareholders and the issuance of additional securities, whether equity or debt, by Bavarian Nordic, or the possibility of such issuance, may cause the market price of the Shares to decline. The sale of additional equity or convertible securities could be dilutive to Bavarian Nordic's Shareholders. The incurrence of indebtedness would result in increased fixed payment obligations and Bavarian Nordic may be required to agree to certain restrictive covenants, such as limitations on the ability to incur additional debt, limitations on the ability to acquire, sell or license intellectual property rights and other

operating restrictions that could adversely impact the ability to conduct Bavarian Nordic's business. If Bavarian Nordic is unable to obtain adequate financing, Bavarian Nordic may be required to delay, reduce or eliminate the number or scope of its projects and internal product candidates (including preclinical studies and clinical trial programs). Bavarian Nordic could also be required to seek funds through arrangements with collaboration partners or at an earlier stage than otherwise would be desirable and Bavarian Nordic may be required to relinquish rights to some of its technologies or internal product candidates or otherwise agree to terms unfavorable to Bavarian Nordic. If Bavarian Nordic is unable to obtain funding on a timely basis, it may be required to significantly curtail, delay or discontinue one or more of its research or development programs or the commercialization of any internal product candidate or be unable to expand operations or otherwise capitalize on Bavarian Nordic's business opportunities, as desired, which could impair Bavarian Nordic's prospects.

### *1.1.20 Bavarian Nordic may not be successful in its efforts to use cash flows from approved vaccines to expand its novel, internal target discovery platform to build a pipeline of product candidates*

A key element of Bavarian Nordic's strategy is to use cash flows from its portfolio of approved vaccines to continue to build a pipeline of novel internal product candidates and progress these product candidates through clinical development for the treatment or prevention of a variety of diseases. Although Bavarian Nordic's research and development efforts to date have resulted in the development of approved vaccines and product candidates directed at various diseases, Bavarian Nordic may not be able to develop additional product candidates in a sufficient timeframe, if at all, to provide for the further development of its pipeline of internal product candidates. Bavarian Nordic's current internal product candidates will require substantial further clinical development and testing, and eventually regulatory approval, prior to commercialization. If Bavarian Nordic does not successfully commercialize its approved vaccines and if the out-licensed product candidates are not successfully developed and commercialized by Bavarian Nordic's collaboration partners, Bavarian Nordic will face difficulty in funding its internal pipeline of product candidates and more generally in obtaining vaccine revenue in the future, which could result in significant harm to Bavarian Nordic's business and financial position.

### *1.1.21 Bavarian Nordic has incurred net losses and may continue to do so*

Bavarian Nordic recognized net losses of DKK 347 million in 2019 and DKK 362 million in 2018. Bavarian Nordic's ability to generate revenue and reach profitability depends primarily on the successful commercialization of its non-replicating smallpox vaccine, marketed under the names JYNNEOS/IMVAMUNE/IMVANEX, and the successful commercialization of its rabies and tick-borne encephalitis ("**TBE**") vaccines acquired from GSK, Rabipur/RabAvert and Encepur, including obtaining of the necessary marketing authorizations. Moreover, it will depend on the ability of Bavarian Nordic and its collaboration partners to successfully complete the development of Bavarian Nordic's product candidates and obtain the regulatory and marketing authorizations necessary to commercialize such product candidates.

If the number of individuals suitable for Bavarian Nordic's vaccines and product candidates is not as significant as Bavarian Nordic estimates, the indications approved by regulatory authorities are narrower than Bavarian Nordic expects or the reasonably accepted population for vaccination is narrowed by competition, physician choice or vaccination guidelines, this will negatively impact the revenue generated by Bavarian Nordic from the sale of such vaccines and product candidates, if approved.

In the event that Bavarian Nordic fails to generate revenue from the sale of one or more of its acquired products and concurrently meets its obligation to make any future milestone payments, this could have a material adverse effect on Bavarian Nordic's business and financial results.

## *1.2 Risks related to Bavarian Nordic's operations*

### *1.2.1 A breakdown of or an attack on Bavarian Nordic's IT systems including cyber security breaches may result in a material disruption of Bavarian Nordic's manufacturing, control measures, commercialization and delivery of its vaccines or of Bavarian Nordic's product candidates*

Bavarian Nordic's IT systems are dependent upon global communication providers, web browsers and telephone systems. In addition, Bavarian Nordic's internal computer systems (including cloud-based systems) and those of its current and any future collaboration partners and other contractors or consultants are vulnerable to damage from cyber security breaches, computer viruses, corruption of data, unauthorized access or leaks, natural disasters, attacks, terrorism, war and telecommunication and electrical failures. Bavarian Nordic does not believe that it has experienced any such material system failure, breakdown, attack, accident or security breach to date, however, if such an event were to occur it could result in a material disruption failure of the hardware or software that supports Bavarian Nordic's IT systems and a material disruption of Bavarian Nordic's operations, including the manufacturing of its vaccines, and development programs and its business operations, whether due to a loss of data in the systems (including personal data), loss or dissemination of trade secrets or other proprietary information or other similar disruptions, and Bavarian Nordic could incur liabilities, its competitive position could be harmed and the manufacturing and commercialization of Bavarian Nordic's approved vaccines and product candidates could be delayed.

For example, the loss of clinical trial data for Bavarian Nordic's product candidates from completed or future clinical trials or the inability to access or interact with Bavarian Nordic's customers, suppliers, collaboration partners or other contractors or consultants electronically, could significantly disrupt the manufacturing, control measure, commercialization and delivery of Bavarian Nordic's vaccines and the development of the product candidates and could result in delays in its regulatory approval efforts and significantly increase its costs to recover or reproduce data. To the extent that any disruption or security breach were to result in a loss of, or disruption to, theft, publication, deletion or modification of Bavarian Nordic's data or applications or other data or applications relating to its technology or product candidates, loss or theft of economic assets, or inappropriate disclosure of confidential or proprietary information, Bavarian Nordic could incur costs, losses, liabilities, regulatory exposure, its competitive position could be harmed and the further development and commercialization of its product candidates could be delayed. Bavarian Nordic may be exposed to cybersecurity attacks, including attacks resulting in breakdowns for a longer period of time. The techniques used by cyber criminals to obtain unauthorized access change frequently and may be difficult to detect and often are not recognized until a security breach. In addition, privacy breaches could occur inadvertently or intentionally by Bavarian Nordic's employees. Bavarian Nordic may experience distributed denial-of-service ("**DDoS**") attacks, which are cyber-attacks where the perpetrator seeks to make a machine or network resource unavailable to its intended users by disrupting services of a host connected to the internet. Despite Bavarian Nordic's forward planning and disaster recovery procedures, the occurrence of any DDoS attacks could lead to interruptions, delays or shutdowns, potentially causing harm to Bavarian Nordic's business by making critical data temporarily inaccessible.

Bavarian Nordic's financial exposure from the items referenced above may either not be insured against or not fully covered through any insurance maintained by Bavarian Nordic and could have a material adverse effect on Bavarian Nordic's business, financial condition or results of operations. Additionally, actual, potential or anticipated attacks may cause Bavarian Nordic to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants.

The occurrence of any of the abovementioned events could result in interruptions, operational difficulties, loss of revenue, damage to brand value, liability to customers, patients, collaboration partners or others, breach of applicable laws, diversion of resources, injury to Bavarian Nordic's reputation and increased IT service and maintenance costs.

### 1.2.2 *Bavarian Nordic's vaccines and product candidates are complex to manufacture, and Bavarian Nordic may encounter difficulties in manufacturing that could have a material adverse effect on Bavarian Nordic's business and financial results*

Bavarian Nordic currently manufactures its own commercial supplies of JYNNEOS/IMVANEX/IMVAMUNE, whereas the commercial supplies of Rabipur/RabAvert and Encepur are anticipated to continue to be manufactured by GSK until completion of the technology transfer, following which such manufacturing is also intended to be taken over by Bavarian Nordic. According to the transition agreement entered into with GSK, the manufacture of Bavarian Nordic's preclinical and clinical drug supplies is done by a limited number of other suppliers. Bavarian Nordic's own facilities and the facilities used by Bavarian Nordic's contract manufacturers or other third-party manufacturers to manufacture Bavarian Nordic's product candidates are subject to the EMA, the FDA and other regulatory authorities' preapproval inspections.

Bavarian Nordic's products must be made consistently and in compliance with a clearly defined manufacturing process. Accordingly, it is essential to be able to validate and control the manufacturing process to assure that it is reproducible. Slight deviations anywhere in the manufacturing process, including obtaining materials, filling, labelling, packaging, storage and shipping and quality control and testing, some of which all pharmaceutical companies, including Bavarian Nordic, experience from time to time, may result in batch failures, delay in the release of batches, product recalls or spoilage. If microbial, viral or other contaminations are discovered in Bavarian Nordic's product candidates or in the manufacturing facilities in which Bavarian Nordic's vaccines and product candidates are made, for instance because of a failure to disinfect and clean sufficiently between batch manufacturing or when changing manufacturing between the different vaccines and/or product candidates, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Upon completion of the technology transfer of the manufacturing process relating to Rabipur/RabAvert and Encepur, Bavarian Nordic will take over manufacturing of these vaccines. There is a risk that Bavarian Nordic's lack of experience with the technologies transferred may impact the quality of manufacturing and result in delays, product recalls or spoilage. Further, as product candidates are developed through preclinical to late-stage clinical trials towards approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods, are altered along the way in an effort to optimize processes and results. Such changes carry the risk that they will not achieve these intended objectives, and any of these changes could cause Bavarian Nordic's product candidates to perform differently and affect the results of ongoing clinical trials or other future clinical trials. Any failure to manufacture products up to regulatory standards could lead to increased costs due to duplicative or replacement manufacturing, product recalls or a loss of reputation.

Bavarian Nordic's product candidates approved for commercial sale or used in late-stage clinical trials must be manufactured in accordance with current good manufacturing practice ("**cGMP**") regulations. These regulations govern manufacturing processes and procedures, including record keeping and the implementation and operation of quality systems to control and assure the quality of investigational products and vaccines approved for sale. Bavarian Nordic and its collaborators must supply all necessary documentation in support of a new drug application or foreign equivalent on a timely basis and must adhere to cGMP requirements enforced by the EMA, the FDA and other regulatory agencies. Bavarian Nordic does not control the implementation of the manufacturing process of, and is completely dependent on, Bavarian Nordic's contract manufacturers or other third-party manufacturers for compliance with

the cGMPs. If Bavarian Nordic or its collaborators fail to comply with cGMP, Bavarian Nordic could experience a disruption in the supply of Bavarian Nordic's product candidates, which could delay or prevent regulatory approval or commercial launch of such candidates, which could have a material adverse effect on Bavarian Nordic's business and financial results.

In addition, Bavarian Nordic may not be able to successfully increase the manufacturing capacity for any of its vaccines or product candidates in a timely or cost-effective manner, or at all. In addition, quality issues may arise during scale-up activities. If Bavarian Nordic is unable to successfully scale up the manufacture of its vaccines and product candidates in sufficient quality and quantity, this could have a material adverse effect on Bavarian Nordic's business and financial results.

To meet commercial commitments to deliver its vaccines, in particular under contracts with governments, Bavarian Nordic builds up inventory, however, from time to time such inventories may be low or non-existing, in particular following delivery of larger orders. If back-up inventories are not sufficient, Bavarian Nordic may not be able to fulfill commercial commitments in case of batch failures, delay in the release of batches, product recalls or spoilage and as a result Bavarian Nordic could incur liabilities.

### *1.2.3 Bavarian Nordic relies on third-party suppliers for the raw materials necessary to produce Bavarian Nordic's vaccines and product candidates for Bavarian Nordic's clinical trials*

There are a limited number of suppliers for raw materials that Bavarian Nordic uses to manufacture Bavarian Nordic's vaccines and product candidates, including the vaccines manufactured for Bavarian Nordic by GSK, and there may be a need to assess alternate suppliers to prevent a possible disruption of the supply of the materials necessary to produce Bavarian Nordic's vaccines and product candidates. Where third parties manufacture vaccines and product candidates for Bavarian Nordic, Bavarian Nordic has no control over the process or timing of the acquisition of raw materials by such manufacturers.

Some of the raw materials used to manufacture Bavarian Nordic's vaccines and product candidates are general purpose materials used by other pharmaceutical manufacturers, while others are manufactured specifically for use by Bavarian Nordic, either because of special quality requirements, including in particular the specific pathogen-free eggs ("**SPF eggs**"), used in manufacturing, or the packaging in which they are supplied.

As with any raw material, there is a risk that the required number of SPF eggs of the right quality may not always be available to meet Bavarian Nordic's needs; e.g. as a result of manufacture stoppages due to bird flu disease or other diseases or contaminations in the bird farms. For instance, in 2011 Bavarian Nordic had one week of partial downtime as a result of SPF egg shortage due to a virus outbreak. Supplier failure may cause delay in or cancellation of manufacturing which could have a material adverse effect on Bavarian Nordic's business and financial results.

Although Bavarian Nordic generally does not begin a clinical trial unless it believes to have access to a sufficient supply of the product to complete the clinical trial, any significant delay in the supply of a product candidate, or the raw material components thereof, for an ongoing clinical trial due to the need to replace a contract manufacturer or other third-party manufacturer could considerably delay completion of Bavarian Nordic's clinical trials, product testing and potential regulatory approval of Bavarian Nordic's product candidates.

If Bavarian Nordic's manufacturers or Bavarian Nordic is unable to purchase raw materials for Bavarian Nordic's vaccines or, after regulatory approval has been obtained, for Bavarian Nordic's product candidates, sales of vaccines would be reduced, the commercial launch of Bavarian Nordic's product candidates

would be delayed or there would be a shortage in supply, which would impair Bavarian Nordic's ability to generate revenue from the sale of Bavarian Nordic's vaccines and product candidates and potentially imply a breach of commercial commitments undertaken. Additionally, Bavarian Nordic may experience unforeseen difficulties or challenges in the manufacture of Bavarian Nordic's product candidates on a commercial scale compared to the manufacture for clinical purposes.

### 1.2.4 *Bavarian Nordic manufactures clinical and commercial supplies of JYNNEOS/IMVANEX/IMVAMUNE and a number of its product candidates at a single location and intends to also produce Rabipur/RabAvert and Encepur at this location. Any disruption at this facility or in the Company's critical equipment could adversely affect Bavarian Nordic's business and results of operations*

Bavarian Nordic owns and operates a vaccine manufacturing facility in Kvistgaard, Denmark. Bavarian Nordic relies on this facility for the manufacture of clinical supplies of its products candidates and commercial supplies of JYNNEOS/IMVANEX/IMVAMUNE and plans to also manufacture Rabipur/RabAvert and Encepur at this location, once a technology transfer from GSK of the manufacturing process relating to these vaccines has been completed. If Bavarian Nordic's facility or any of the critical equipment used in manufacture was damaged or destroyed, or otherwise subject to disruption, it would require substantial lead-time to replace Bavarian Nordic's manufacturing capabilities. In such event, Bavarian Nordic would be forced to identify and rely entirely on third-party contract manufacturers for an indefinite period of time. Any disruptions or delays at Bavarian Nordic's facility or critical equipment or failure to meet regulatory compliance would impair Bavarian Nordic's ability to further develop and commercialize its commercial vaccines and product candidates, which would adversely affect Bavarian Nordic's business and results of operations.

### 1.2.5 *Bavarian Nordic has constructed a new fill and finish facility. If the qualification and validation of the fill and finish facility is delayed or unsuccessful or if Bavarian Nordic faces difficulties or delays in operation of the facility once it is fully validated for operation, or cannot staff a sufficient number of experienced employees for the fill and finish facility, this could adversely affect Bavarian Nordic's business and results of operations*

Bavarian Nordic has constructed a new fill and finish facility in Kvistgaard, Denmark and plans to commence fill and finish of JYNNEOS/IMVANEX/IMVAMUNE in the facility following a transfer from the current Contract Manufacturing Organization ("**CMO**") and subsequent process performance qualification and validation of the fill and finish process, initially for the liquid-frozen formulation of the vaccine, followed by the freeze-dried formulation. Following the technology transfer from GSK, Bavarian Nordic also plans to perform fill and finish activities with respect to Rabipur/RabAvert at the new fill and finish facility.

Currently Bavarian Nordic has no in-house operational experience in operating fill and finish activities and taking over the fill and finish manufacturing process is complex and there is a risk that the transfer will not be successful or will take longer than expected, including due to unsuitable design or operational set-up of the new fill and finish facility or due to Bavarian Nordic's limited in-house fill and finish experience. There is a risk that Bavarian Nordic may not be able to staff a sufficient number of experienced employees to assist Bavarian Nordic with the operational readiness, qualification and validation of the fill and finish facility. This could also imply that Bavarian Nordic will need to spend more time and resources, including additional investment, on achieving a successful transfer.

If the process validation plans to be submitted by Bavarian Nordic to the FDA are not readily accepted by the FDA, there is also a risk that the qualification and validation is delayed or is unsuccessful and

will require additional investments; all of which would adversely affect Bavarian Nordic's business and results of operations. If the qualification and validation of the facility is delayed or unsuccessful, this could adversely affect Bavarian Nordic's business and results of operations, including because Bavarian Nordic may then not be able to complete the vaccine development agreement with BARDA regarding MVA-BN smallpox vaccine (freeze-dried), which could result in loss of orders, just as Bavarian Nordic may be met with funding repayment requirements and/or other contractual claims by the U.S. Government.

### 1.2.6 *Bavarian Nordic's future success depends in part on its ability to retain its management team and key employees*

Bavarian Nordic is highly dependent on the management, development, clinical, financial, marketing and business development expertise of its management team and key employees. Retaining qualified scientific and clinical personnel is also critical to Bavarian Nordic's success. The loss of the services of any of the members of Bavarian Nordic's management team or key employees could impede the achievement of Bavarian Nordic's development and commercialization objectives and seriously harm its ability to successfully implement its business strategy. Furthermore, replacing any of the members of Bavarian Nordic's management team or key employees may be difficult and may take an extended period of time because of the limited number of individuals in Bavarian Nordic's industry with the breadth of skills and experience required to successfully develop, gain regulatory approval for and commercialize drugs. Competition to hire from this limited pool is intense, and Bavarian Nordic may be unable to hire, train, retain or motivate the members of its management team or key employees on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. Bavarian Nordic also experiences competition for the hiring of scientific and clinical personnel from universities and research institutions. If Bavarian Nordic is unable to continue to attract and retain high quality management and employees, Bavarian Nordic's ability to pursue its growth strategy will be limited.

### 1.2.7 *There is a risk that Bavarian Nordic may not be able to maintain insurance coverage, and that existing, or any future insurance policies or Bavarian Nordic's own resources will not sufficiently cover claims for damages that may be received in the future*

Bavarian Nordic is exposed to potential product liability and other liability risks that are inherent in sale of approved vaccines, clinical development, manufacturing, marketing and use of human therapeutic products. It is generally necessary for Bavarian Nordic to secure certain levels of insurance as a condition for any sale or use of its vaccines and the conduct of trials. Bavarian Nordic has taken out product liability insurance with respect to all of its vaccines, the clinical trials and ongoing trials performed to date for which Bavarian Nordic is responsible, however, there can be no assurance that such insurance is adequate.

Bavarian Nordic may not be able to obtain or maintain adequate protection against potential liabilities at acceptable cost. If Bavarian Nordic is unable to obtain insurance or other protection against e.g. business interruption or potential product liability claims, Bavarian Nordic could be exposed to significant liabilities, which may materially and adversely affect its business and financial position. These liabilities could prevent or interfere with Bavarian Nordic's product development and commercialization efforts. If Bavarian Nordic becomes subject to business interruption or is sued for any injury caused by its vaccines or processes, Bavarian Nordic's liability could exceed its product liability insurance coverage and Bavarian Nordic's own financial resources, and consequently could have a material adverse effect on its business, financial position, results of operations and future growth prospects.

### 1.2.8 *To manage its growth Bavarian Nordic must continually improve existing reporting systems and procedures*

To manage its growth and improve its performance, Bavarian Nordic must maintain and continuously improve its operational systems and processes, including IT systems. Bavarian Nordic cannot assure that it will be able to implement, on a timely basis, projects, systems, procedures and controls required to support the growth of its business.

Bavarian Nordic will need to continually improve existing reporting systems and procedures and financial and management controls as well as implement new transaction processing, operational and financial systems. Bavarian Nordic's successful commercialization will furthermore depend on its ability to manage its expanding operations.

### 1.2.9 *Exchange rate fluctuations may have an adverse impact on Bavarian Nordic's results of operations and/or competitive strength*

The Company reports its operating results in DKK however, a substantial part of Bavarian Nordic's turnover and expenses are denominated in currencies other than the DKK, including in particular USD and EUR.

Until December 31, 2019 Bavarian Nordic's revenue has been generated almost entirely in USD and the cash flow streams have been very fluctuant during the year with few but material deliveries to the U.S. Government. The exchange rate exposure to USD has been hedged to a large extent by matching incoming and outgoing payments denominated in USD, taking the phasing of the incoming and outgoing cash flows into consideration. Regular assessments have been made of whether the remaining net position should be hedged by currency forward contracts or currency option contracts and this has historically been done when considered appropriate. When Bavarian Nordic takes over distribution of Rabipur/RabAvert and Encepur from GSK, Bavarian Nordic anticipates a steadier inflow of USD which can be matched with the expenses occurred in USD. The remaining net position will be hedged when considered appropriate and may be hedged by currency forward contracts or currency option contracts.

Historically, the exposure to EUR has not been hedged as the Company believes that fluctuations in EUR are limited due to the Danish fixed-rate policy and thus, the fluctuations in EUR has not had a significant impact on financial performance. Going forward Bavarian Nordic anticipates substantial income denominated in EUR and that costs denominated in EUR will also increase. Any future milestone payments to GSK will be incurred in EUR. The incoming and outgoing of EUR cash flows will not match in respect of size and timing and the Company will consider from time to time the appropriateness of hedging the EUR cash flows.

Changes in the value of DKK against other currencies will affect Bavarian Nordic's reported operating revenue and expenses and the value of balance sheet items originally denominated in other currencies. This can affect Bavarian Nordic's margins as its operating revenue in any one currency is not matched by expenses in the same currency. There is no guarantee that Bavarian Nordic's financial results will not be materially adversely affected by currency exchange rate fluctuations or that any efforts by Bavarian Nordic to engage in currency hedging activities will be effective.

### 1.2.10 *Bavarian Nordic may acquire businesses or products, or form strategic alliances, in the future, and Bavarian Nordic may not realize the benefits of such acquisitions*

Should attractive opportunities arise, Bavarian Nordic may acquire companies or technologies facilitating Bavarian Nordic's access to new medicines, new research projects or new geographical

areas, or enabling Bavarian Nordic to achieve synergies with Bavarian Nordic's existing operations. However, Bavarian Nordic may not be able to identify appropriate targets or make acquisitions under satisfactory conditions, in particular, satisfactory price conditions. In addition, Bavarian Nordic may be unable to obtain the financing for these acquisitions under favorable conditions and could be led to finance these acquisitions using cash that could be allocated to other purposes in the context of existing operations or equity issuances, which could be dilutive to Bavarian Nordic's shareholders. If Bavarian Nordic acquires businesses with promising markets or technologies, Bavarian Nordic may not be able to realize the benefit of acquiring such businesses if Bavarian Nordic is unable to successfully integrate them with Bavarian Nordic's existing operations, such as bulk manufacturing, filling and packaging, sales and marketing, and distribution. Bavarian Nordic may encounter numerous difficulties in developing, manufacturing and marketing any new products resulting from a strategic alliance or acquisition that delay or prevent it from realizing their expected benefits or enhancing Bavarian Nordic's business. Bavarian Nordic cannot assure that, following any such acquisition, Bavarian Nordic will achieve the expected synergies to justify the transaction, which could have a material adverse effect on Bavarian Nordic's business, financial position, results of operations and future growth prospects.

### *1.3 Risks related to Bavarian Nordic's intellectual property*

#### *1.3.1 Bavarian Nordic's ability to compete may decline if Bavarian Nordic does not adequately protect its proprietary rights*

Bavarian Nordic's commercial success depends on obtaining and maintaining proprietary rights to its vaccines and product candidates and defending these rights against third-party challenges. Bavarian Nordic relies upon a combination of patents, trade secret protection and confidentiality agreements to protect the intellectual property related to its vaccines and product candidates. The strength of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and can be uncertain. Bavarian Nordic will only be able to protect its vaccines and product candidates and their uses from unauthorized use by third parties to the extent that valid and enforceable patents, or effectively protected trade secrets, cover them. Bavarian Nordic's ability to obtain patent protection for its product candidates is uncertain due to a number of factors, including, but not limited to:

- Bavarian Nordic or its licensors may not have been the first to make the inventions covered by pending patent applications or issued patents;
- Bavarian Nordic or its licensors may not have been the first to file patent applications for its product candidates or the compositions Bavarian Nordic developed or for their uses;
- others may independently develop identical, similar or alternative products or compositions and uses thereof;
- Bavarian Nordic's or its licensors' disclosures in patent applications may not be sufficient to meet the statutory requirements for patentability;
- any or all of Bavarian Nordic's or its licensors' pending patent applications may not result in issued patents;
- Bavarian Nordic or its licensors may not seek or obtain patent protection in countries that may eventually provide Bavarian Nordic with a significant business opportunity;
- any patents issued to Bavarian Nordic or its licensors may not provide a basis for commercially viable products, may not provide any competitive advantages, or may be successfully challenged by third parties;

- Bavarian Nordic's or its licensors' compositions and methods may not be patentable;
- others may design around Bavarian Nordic's patent claims to produce competitive products which fall outside the scope of Bavarian Nordic's patents; or
- others may identify prior art or other bases which could invalidate Bavarian Nordic's or its licensors' patents.

Even if Bavarian Nordic has or obtains patents covering its product candidates or compositions, Bavarian Nordic may still be barred from making, using and selling its product candidates or technologies because of the patent rights of others. Others may have filed, and in the future may file, patent applications covering compositions or products that are similar or identical to Bavarian Nordic's. There are many issued patents in the United States, European Union and other national patents relating to vaccine and cancer immunotherapy products, and some of these relate to product candidates that Bavarian Nordic intends to commercialize. Numerous United States, European and other national issued patents and pending patent applications owned by others exist in the cancer treatment field in which Bavarian Nordic is developing products. These could materially affect Bavarian Nordic's ability to develop its product candidates or sell its products if approved. Because patent applications can take many years to issue, there may be currently pending applications unknown to Bavarian Nordic that may later result in issued patents that Bavarian Nordic's product candidates or compositions may infringe. These patent applications may have priority over patent applications filed by Bavarian Nordic.

Obtaining and maintaining a patent portfolio entails significant expense and resources. Part of the expense includes periodic maintenance fees, renewal fees, annuity fees, various other governmental fees on patents and/or applications due in several stages over the lifetime of patents and/or applications, as well as the cost associated with complying with numerous procedural provisions during the patent application process. Bavarian Nordic may choose not to pursue or maintain protection for particular inventions. In addition, there are situations in which failure to make certain payments or noncompliance with certain requirements in the patent process can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If Bavarian Nordic chooses to forego patent protection or allow a patent application or patent to lapse purposefully or inadvertently, its competitive position could suffer.

Legal actions to enforce Bavarian Nordic's patent rights can be expensive and may involve the diversion of significant management time. In addition, these legal actions could be unsuccessful and could also result in the invalidation of Bavarian Nordic's patents or a finding that they are unenforceable. Bavarian Nordic may or may not choose to pursue litigation or other actions against those that have infringed on its patents, or used them without authorization, due to the associated expense and time commitment of monitoring these activities. If Bavarian Nordic fails to protect or to enforce its intellectual property rights successfully, its competitive position could suffer, which could harm Bavarian Nordic's results of operations.

### 1.3.2 *If Bavarian Nordic is unable to protect the confidentiality of its trade secrets, its business and competitive position would be harmed*

In addition to the protection afforded by patents, Bavarian Nordic relies on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and other elements of its drug discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. Although Bavarian Nordic expects all of its employees to assign their inventions to Bavarian Nordic, and all of its

employees, consultants, advisors and any third parties who have access to Bavarian Nordic's proprietary know-how, information or technology to enter into confidentiality agreements, Bavarian Nordic cannot provide any assurances that all such agreements have been duly executed, that such agreements provide adequate protection and will not be breached, that its trade secrets and other confidential proprietary information will not otherwise be disclosed or that competitors will not otherwise gain access to Bavarian Nordic's trade secrets or independently develop substantially equivalent information and techniques. Bavarian Nordic has entered into confidentiality and intellectual property assignment agreements with its employees, consultants, outside scientific collaborators, sponsored researchers and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties any confidential information developed by the party or made known to the party by Bavarian Nordic during the course of the party's relationship with Bavarian Nordic. These agreements also generally provide that inventions conceived by the party in the course of rendering services to Bavarian Nordic will be Bavarian Nordic's exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to Bavarian Nordic.

If Bavarian Nordic is unable to prevent material disclosure of the non-patented intellectual property related to its technologies to third parties, and there is no guarantee that Bavarian Nordic will have any such enforceable trade secret protection, Bavarian Nordic may not be able to establish or maintain a competitive advantage in its market, which could materially adversely affect its business, results of operations and financial condition.

In addition to contractual measures, Bavarian Nordic tries to protect the confidential nature of its proprietary information using physical and technological security measures. Such measures may not, for example, in the case of misappropriation of a trade secret by an employee or third-party with authorized access, provide adequate protection for Bavarian Nordic's proprietary information. Bavarian Nordic's security measures may not prevent an employee or consultant from misappropriating Bavarian Nordic's trade secrets and providing them to a competitor, and recourse Bavarian Nordic takes against such misconduct may not provide an adequate remedy to protect its interests fully. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. Trade secrets may be independently developed by others in a manner that could prevent legal recourse by Bavarian Nordic. If any of its confidential or proprietary information, such as its trade secrets, were to be disclosed or misappropriated, or if any such information was independently developed by a competitor, Bavarian Nordic's competitive position could be harmed.

### *1.3.3 Issued patents covering Bavarian Nordic's vaccines and product candidates could be found invalid or unenforceable if challenged in court*

If Bavarian Nordic initiates legal proceedings against a third-party to enforce a patent covering its product candidate or technology, the defendant could counterclaim that the patent covering Bavarian Nordic's product candidate or technology is invalid or unenforceable. In patent litigation in the United States, and in many other countries, defendant counterclaims alleging invalidity and unenforceability are commonplace. Grounds for a validity challenge include alleged failures to meet any of several statutory requirements, including lack of novelty, obviousness (lack of inventive step) or non-enablement. Grounds for unenforceability assertions include allegations that someone connected with prosecution of the patent withheld relevant information from the U.S. Patent and Trademark Office ("**USPTO**") or made a misleading statement, during prosecution.

Third parties may also raise similar claims before administrative bodies in Europe and the United States or in other countries, even outside the context of litigation. Such mechanisms include re-examination, post-grant review and/or inter partes review and equivalent proceedings, and opposition proceedings. Such proceedings could result in revocation or amendment of Bavarian Nordic's patents in such a way that they no longer cover Bavarian Nordic's product candidates or competitive products. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to validity, for example, Bavarian Nordic cannot be certain that there is no invalidating prior art, of which Bavarian Nordic or the patent examiner were unaware during prosecution. Further, Bavarian Nordic cannot be certain that all of the potentially relevant art relating to its patents and patent applications has been cited in every patent office. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, Bavarian Nordic would lose at least part, and perhaps all, of the patent protection on its product candidates.

### 1.3.4 *Bavarian Nordic may become involved in lawsuits to protect or enforce Bavarian Nordic's patents or other intellectual property, which could be expensive, time consuming and unsuccessful and have a material adverse effect on the success of Bavarian Nordic's business*

Competitors may infringe Bavarian Nordic's patents, trademarks, copyrights or other intellectual property. To counter infringement or unauthorized use, Bavarian Nordic may be required to file infringement claims on a country-by-country basis, which can be expensive and time consuming and divert the time and attention of Bavarian Nordic's management and scientific personnel. Any claims Bavarian Nordic asserts against perceived infringers could provoke these parties to assert counterclaims against Bavarian Nordic alleging that Bavarian Nordic infringes their patents, in addition to counterclaims asserting that Bavarian Nordic's patents are invalid or unenforceable, or both. In any patent infringement proceeding, there is a risk that a court will decide that a patent of Bavarian Nordic is invalid or unenforceable, in whole or in part, and that Bavarian Nordic does not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that Bavarian Nordic does not have the right to stop the other party from using the invention at issue on the grounds that Bavarian Nordic's patent claims do not cover the invention. An adverse outcome in a litigation or proceeding involving one or more of Bavarian Nordic's patents could limit Bavarian Nordic's ability to assert those patents against those parties or other competitors and may curtail or preclude Bavarian Nordic's ability to exclude third parties from making and selling similar or competitive products. Similarly, if Bavarian Nordic asserts trademark infringement claims, a court may determine that the marks Bavarian Nordic have asserted are invalid or unenforceable, or that the party against whom Bavarian Nordic have asserted trademark infringement has superior rights to the marks in question. In this case, Bavarian Nordic could ultimately be forced to cease use of such trademarks.

Even if Bavarian Nordic establishes infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of Bavarian Nordic's confidential information could be compromised by disclosure during litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could adversely affect the market price of the Shares. Moreover, there can be no assurance that Bavarian Nordic will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if Bavarian Nordic ultimately prevails in such claims, the monetary cost of such litigation and the diversion of the attention of Bavarian Nordic's management and scientific personnel could outweigh any benefit Bavarian Nordic receives as a result of the proceedings.

### 1.3.5 *Biopharmaceutical patents and patent applications involve highly complex legal and factual questions, which, if determined adversely to Bavarian Nordic, could negatively impact its patent position*

The patent positions of biopharmaceutical companies can be highly uncertain and involve complex legal and factual questions. The interpretation and breadth of claims allowed in some patents covering biopharmaceutical compositions may be uncertain and difficult to determine and are often affected materially by the facts and circumstances that pertain to the patented compositions and the related patent claims. The standards of USPTO are evolving and could change in the future. Consequently, Bavarian Nordic cannot predict the issuance and scope of patents with certainty. Patents, if issued, may be challenged, invalidated or circumvented. U.S. patents and patent applications may also be subject to interference proceedings, and U.S. patents may be subject to re-examination proceedings, post-grant review and/or inter partes review in the USPTO. Non U.S. patents may also be subject to opposition or comparable proceedings in the corresponding patent office, which could result in either loss of the patent or denial of the patent application, or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such interference, re-examination, post-grant review, inter partes review and opposition proceedings may be costly.

Accordingly, rights under any issued patents may not provide Bavarian Nordic with sufficient protection against competitive products or processes.

In addition, changes in or different interpretations of patent laws in the United States and other countries may permit others to use Bavarian Nordic's or its licensors' discoveries or to develop and commercialize Bavarian Nordic's technology and products without providing any compensation to Bavarian Nordic, or may limit the number of patents or claims Bavarian Nordic can obtain. The laws of some countries do not protect intellectual property rights to the same extent as e.g. United States and European laws and those countries may lack adequate rules and procedures for defending Bavarian Nordic's intellectual property rights.

If Bavarian Nordic fails to obtain and maintain patent protection and trade secret protection for its product candidates, Bavarian Nordic could lose its competitive advantage and competition Bavarian Nordic faces would increase, reducing any potential revenues and adversely affecting its ability to attain or maintain profitability.

### 1.3.6 *Bavarian Nordic will not seek to protect its intellectual property rights in all jurisdictions throughout the world and Bavarian Nordic may not be able to adequately enforce its intellectual property rights even in the jurisdictions where Bavarian Nordic seeks protection*

Filing, prosecuting and defending patents on Bavarian Nordic's product candidates in all countries and jurisdictions throughout the world would be prohibitively expensive, and Bavarian Nordic's intellectual property rights in some countries outside Europe and the United States could be less extensive than those in Europe and the United States, assuming that rights are obtained in Europe and the United States. Competitors may use Bavarian Nordic's technologies in jurisdictions where Bavarian Nordic does not pursue and obtain patent protection to develop their own products and, further, may export otherwise infringing products to territories where Bavarian Nordic has patent protection, but enforcement is not as strong as that in Europe and the United States. These products may compete with Bavarian Nordic's vaccines and its patents or other intellectual property rights may not be effective or sufficient to prevent them from competing. Even if Bavarian Nordic pursues and obtains issued patents in particular jurisdictions, Bavarian Nordic's patent claims or other intellectual property rights may not be effective or sufficient to prevent third parties from so competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain non-European and non-U.S. jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to biopharmaceuticals or biotechnologies. This could make it difficult for Bavarian Nordic to stop the infringement of its patents, if obtained, or the misappropriation of its other intellectual property rights. For example, many countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, Bavarian Nordic may choose not to seek patent protection in certain countries, and Bavarian Nordic will not have the benefit of patent protection in such countries.

Proceedings to enforce Bavarian Nordic's patent rights in non-European and non-U.S. jurisdictions could result in substantial costs and divert its efforts and attention from other aspects of its business, could put its patents at risk of being invalidated or interpreted narrowly, could put its patent applications at risk of not issuing, and could provoke third parties to assert claims against Bavarian Nordic. Bavarian Nordic may not prevail in any lawsuits that Bavarian Nordic initiates, and the damages or other remedies awarded, if any, may not be commercially meaningful. In addition, changes in the law and legal decisions by courts in Europe and the United States and other countries may affect Bavarian Nordic's ability to obtain adequate protection for its technology and the enforcement of intellectual property. Accordingly, Bavarian Nordic's efforts to enforce its intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that Bavarian Nordic develops or licenses.

### *1.3.7 Patent terms and regulatory exclusivities may be inadequate to protect Bavarian Nordic's competitive position on Bavarian Nordic's product candidates for an adequate amount of time*

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. Bavarian Nordic expects to seek extensions of patent terms in the United States and, if available, in other countries where Bavarian Nordic have patents.

In certain Member States of the EU, patent term extensions may be obtained through a supplementary protection certificate ("**SPC**") to recover some of the time lost between the patent application filing date and the date of first regulatory approval, up to a maximum term of five years.

Patent term extension may also be available under the U.S. Drug Price Competition and Patent Term Restoration Act of 1984 (the "**U.S. Hatch Waxman Amendments**"). The U.S. Hatch Waxman Amendments provide up to five years of patent term extension ("**PTE**") on a patent that covers an approved product or method of use as compensation for patent term lost during the FDA regulatory review process. Patent term restoration cannot extend the term of a patent beyond a total of 14 years from the product's approval date.

Up to five years of patent term extension are also available in Japan for patent term recovery related to the pharmaceutical regulatory review and approval process.

Applicable authorities, including the FDA/USPTO in the United States, and comparable regulatory authorities and intellectual property offices in EU countries and worldwide, may not agree with Bavarian

Nordic's assessment of whether such extensions are available, and may refuse to grant extensions to Bavarian Nordic's patents, or may grant more limited extensions than Bavarian Nordic requests. If this occurs, Bavarian Nordic's competitors may be able to take advantage of Bavarian Nordic's investment in development and clinical trials by referencing Bavarian Nordic's clinical and preclinical data and launch their product earlier than might otherwise be the case.

### 1.3.8 *Third parties may assert ownership or commercial rights to inventions Bavarian Nordic develops*

Third parties may in the future make claims challenging the inventorship or ownership of Bavarian Nordic's intellectual property. Bavarian Nordic has written agreements with collaborators that provide for the ownership of intellectual property arising from its collaborations. These agreements provide that Bavarian Nordic must negotiate certain commercial rights with collaborators with respect to joint inventions or inventions made by its collaborators that arise from the results of the collaboration. In some instances, there may not be adequate written provisions to address clearly the resolution of intellectual property rights that may arise from collaboration. If Bavarian Nordic cannot successfully negotiate sufficient ownership and commercial rights to the inventions that result from its use of a third-party collaborator's materials where required, or if disputes otherwise arise with respect to the intellectual property developed with the use of a collaborator's samples, Bavarian Nordic may be limited in its ability to capitalize on the market potential of these inventions. In addition, Bavarian Nordic may face claims by third parties that its agreements with employees, contractors or consultants obligating them to assign intellectual property to Bavarian Nordic are ineffective, or in conflict with prior or competing contractual obligations of assignment, which could result in ownership disputes regarding intellectual property Bavarian Nordic has developed or will develop and interferes with its ability to capture the commercial value of such inventions. Litigation may be necessary to resolve an ownership dispute, and if Bavarian Nordic is not successful, Bavarian Nordic may be precluded from using certain intellectual property or may lose its exclusive rights in that intellectual property. Either outcome could have an adverse impact on Bavarian Nordic's business.

### 1.3.9 *Third parties may assert that Bavarian Nordic's employees or consultants have wrongfully used or disclosed confidential information or misappropriated trade secrets*

Bavarian Nordic employs individuals who were previously employed at universities or other biotechnology or pharmaceutical companies, including its competitors or potential competitors. Although Bavarian Nordic tries to ensure that its employees and consultants do not use the proprietary information or know-how of others in their work for Bavarian Nordic, and no such claims against Bavarian Nordic are currently pending, Bavarian Nordic may be subject to claims that Bavarian Nordic or its employees, consultants or independent contractors have used or disclosed intellectual property, including trade secrets or other proprietary information, of a former employer or other third parties. Litigation may be necessary to defend against these claims. If Bavarian Nordic fails in defending any such claims, in addition to paying monetary damages, Bavarian Nordic may lose valuable intellectual property rights or personnel. Even if Bavarian Nordic is successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

### 1.3.10 *A dispute concerning the infringement or misappropriation of Bavarian Nordic's proprietary rights or the proprietary rights of others could be time-consuming and costly, and an unfavorable outcome could harm Bavarian Nordic's business*

There is significant litigation in the biopharmaceutical industry regarding patent and other intellectual property rights. While Bavarian Nordic is not currently subject to any pending intellectual property

litigation, and is not aware of any such threatened litigation, Bavarian Nordic may be exposed to future litigation by third parties based on claims that its product candidates, technologies or activities infringe the intellectual property rights of others. If Bavarian Nordic's development activities are found to infringe any such patents, Bavarian Nordic may have to pay significant damages or seek licenses to such patents. A patentee could prevent Bavarian Nordic from using the patented drugs or compositions. Bavarian Nordic may need to resort to litigation to enforce a patent issued to Bavarian Nordic, to protect its trade secrets, or to determine the scope and validity of third-party proprietary rights. Bavarian Nordic may not be able to afford the costs of litigation. Any adverse ruling or perception of an adverse ruling in defending itself against these claims could have a negative impact on its cash position. Any legal action against Bavarian Nordic or its collaborators could lead to:

- payment of damages, potentially treble damages, if Bavarian Nordic is found to have willfully infringed a party's patent rights;
- injunctive or other equitable relief that may effectively block Bavarian Nordic's ability to further develop, commercialize and sell vaccines; or
- Bavarian Nordic or its collaborators having to enter into license arrangements that may not be available on commercially acceptable terms, if at all.

Any of these outcomes could hurt Bavarian Nordic's cash position and financial condition and its ability to develop and commercialize its product candidates.

### 1.3.11 *If Bavarian Nordic's trademarks and trade names are not adequately protected, Bavarian Nordic may not be able to build name recognition in its markets of interest*

Bavarian Nordic's registered trademarks, including JYNNEOS, IMVANEX, IMVAMUNE, Rabipur, RabAvert, Encepur, MVA-BN and Bavarian Nordic or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. Bavarian Nordic may not be able to protect its rights to these trademarks and trade names, which Bavarian Nordic will need to build name recognition by potential partners or customers in its markets of interest. Over the long term, if Bavarian Nordic is unable to establish name recognition based on its trademarks and trade names, Bavarian Nordic may not be able to compete effectively.

### 1.3.12 *Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and Bavarian Nordic's patent protection could be reduced or eliminated for non-compliance with these requirements*

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and applications are required to be paid to the various governmental patent agencies, including the USPTO, in several stages over the lifetime of the patents and applications. Governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction.

## 1.4 Risks related to regulation

### 1.4.1 Government restrictions on pricing and reimbursement, as well as other healthcare payor cost-containment initiatives, may negatively impact Bavarian Nordic's ability to generate revenues

Sales of certain of Bavarian Nordic's vaccines and product candidates, if and when approved for marketing, will depend, in part, on the extent to which its vaccines will be covered by third-party payors, such as government health care programs, commercial insurance and managed healthcare organizations. These third-party payors are increasingly reducing reimbursements for medical products, drugs and services. Because coverage and reimbursement determinations are made on a payer-by-payer basis, obtaining coverage and adequate reimbursement from one payor does not guarantee that Bavarian Nordic will obtain similar coverage or reimbursement from another payor. In addition, government and other authorities have continued implementing cost containment programs, including price controls, restrictions on coverage and reimbursement, and requirements for substitution of generic products and/or biosimilars. Adoption of price controls and cost containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit Bavarian Nordic's net revenue and results. Decreases in third-party reimbursement for Bavarian Nordic's vaccines and product candidates or a decision by a third-party payor not to cover Bavarian Nordic's vaccines and product candidates or provide only limited reimbursement for Bavarian Nordic's vaccines and product candidates could reduce physician usage of Bavarian Nordic's vaccines and product candidates, once approved and have a material adverse effect on Bavarian Nordic's sales, results of operations and financial condition. Further, the adoption and implementation of any future governmental cost containment or other health reform initiative may result in additional downward pressure on the price that Bavarian Nordic may receive for any approved vaccine.

### 1.4.2 Bavarian Nordic may face difficulties from changes to current regulations and future legislation, in particular in the United States

Existing regulatory policies may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of Bavarian Nordic's product candidates. Bavarian Nordic cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in Europe, the United States or elsewhere. If Bavarian Nordic is slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if Bavarian Nordic is not able to maintain regulatory compliance, Bavarian Nordic may lose any marketing authorization obtained and Bavarian Nordic may not achieve or sustain profitability.

The United States is an important market for Bavarian Nordic. Recently there has been heightened U.S. governmental scrutiny over the manner in which manufacturers set prices for their marketed biopharmaceutical products. As a result, there have been several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the cost of drugs under Medicare, and reform government program reimbursement methodologies for drug products. At the federal level, the current administration's budget proposals for fiscal year 2020 contain further drug price control measures that could be enacted during the budget process or in other future legislation. Further, the current administration released a "blueprint" to lower drug prices and reduce out-of-pocket costs of drugs. The blueprint contains additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out-of-pocket costs of drug products paid by consumers. Although a number of these measures and other

potential proposals may require additional authorization to become effective, Congress and the current administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. Future legislation could potentially change drug pricing dynamics. Bavarian Nordic cannot predict all of the ways in which future healthcare reform legislation or regulation could affect its business.

The implementation of cost containment measures or other healthcare reforms may prevent Bavarian Nordic from being able to generate revenue, attain profitability or successfully commercialize Bavarian Nordic's vaccines and product candidates.

### 1.4.3 *Bavarian Nordic may be subject to litigation, which, if adversely determined, could harm its business, reputation, results of operation, financial condition and prospects and in addition Bavarian Nordic is subject to laws and regulations, including within healthcare, which requires substantial compliance efforts and could expose Bavarian Nordic to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings, among other penalties*

Bavarian Nordic may be subject to claims, lawsuits (including class actions and individual lawsuits), government investigations and other proceedings involving data protection, labor and employment, competition, securities, tax, marketing, commercial disputes and other matters. An unfavorable outcome of any litigation or arbitration matter could require Bavarian Nordic to pay substantial damages. Whether or not Bavarian Nordic will ultimately prevail in future litigation matters, litigation and arbitration are costly and can divert management's attention from its business. A settlement or an unfavorable outcome on any litigation or arbitration matter could have a material adverse effect on Bavarian Nordic's business, financial condition and results of operations.

Healthcare providers, such as physicians and others, will play a primary role in the recommendation and prescription of Rabipur/RabAvert and Encepur and Bavarian Nordic's product candidates, if approved. Bavarian Nordic's arrangements with such persons and third-party payors and Bavarian Nordic's general business operations exposes Bavarian Nordic to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which Bavarian Nordic researches, markets, sells and distributes its vaccines.

Ensuring that Bavarian Nordic's business arrangements with third parties comply with applicable healthcare laws and regulations is costly. It is possible that governmental authorities will conclude that Bavarian Nordic's business practices do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations.

As a company with shares listed on Nasdaq Copenhagen, Bavarian Nordic is also subject to rules and regulations, including the EU Market Abuse Regulation, and the Shareholder Rights Directive and rules and practices promulgated thereunder.

Further, Bavarian Nordic is subject to various Danish and foreign taxes, including direct and indirect taxes, imposed on its global activities and Bavarian Nordic's effective tax rate is impacted by the composition of Bavarian Nordic's taxable income in the countries in which Bavarian Nordic has

activities. Due to the complexity of international tax rules, including transfer pricing rules, the provisions for direct and indirect taxes in Bavarian Nordic's accounts are subject to a certain degree of judgement, and there are many transactions and calculations where the ultimate direct and indirect tax determination is uncertain. Governmental authorities could question Bavarian Nordic's tax policies and judgements and seek to impose additional or increased taxes or penalties on Bavarian Nordic, and the final determination of tax audits and any related litigation could be materially different from Bavarian Nordic's historical direct and indirect tax provisions and accruals.

Local tax rules and interpretations of tax rules in different jurisdictions change from time to time, and any changes may be implemented with retroactive effect. A change in tax rules or interpretation of tax rules in one or more jurisdictions could increase Bavarian Nordic's tax liabilities.

If any of Bavarian Nordic's practices or operational activities were found to be in violation of any of these laws or any other governmental regulations that may apply to Bavarian Nordic, Bavarian Nordic may be subject to significant civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, possible exclusion from government funded healthcare programs, such as the U.S. Medicare and Medicaid, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of Bavarian Nordic's operations, any of which could substantially disrupt Bavarian Nordic's operations. If the physicians or other providers or entities with whom Bavarian Nordic expects to do business are found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

### 1.4.4 *Bavarian Nordic faces risks related to data privacy concerns and failure to comply with privacy regulations and security requirements relating to data*

Bavarian Nordic is subject to data protection laws, privacy requirements and other regulatory restrictions, including the General Data Protection Regulation ((EU) 2016/679) ("**GDPR**"), in the various jurisdictions in which Bavarian Nordic operates.

Bavarian Nordic's failure to keep apprised of, and comply with, privacy, data use and security laws, standards and regulations, including, for instance, (i) inadequate disclosure and invalid consent for processing of personal data or (ii) unauthorized disclosure of or access to personal data, could result in the suspension or revocation of Bavarian Nordic's approvals or registrations, the limitation, suspension or termination of services or the imposition of administrative, civil or criminal penalties, including fines which may be issued under the GDPR, of up to EUR 20 million or 4% of the annual worldwide turnover of an undertaking for serious infringements. In addition, such failure or non-compliance may (a) cause existing or potential partners, including hospitals, physicians and patients to cease interacting with Bavarian Nordic, (b) damage Bavarian Nordic's reputation and brand, (c) lead to breach of contract claims by partners whose data Bavarian Nordic possesses, or (d) lead to civil claims under the GDPR. Also, to the extent more restrictive laws, rules, industry standards, security requirements, contractual commitments or other obligations relating to business and personal data are adopted in the future in the various jurisdictions in which Bavarian Nordic operates, such changes could have an adverse impact on Bavarian Nordic by increasing its costs or imposing restrictions on its business processes.

Bavarian Nordic's financial exposure from the items referenced above may either not be insured against or not fully covered through any insurance maintained by Bavarian Nordic and could have a material adverse effect on Bavarian Nordic's business, financial condition or results of operations.

### 1.4.5 *Bavarian Nordic's operations involve hazardous materials and Bavarian Nordic and third parties with whom Bavarian Nordic contracts must comply with environmental laws and regulations, which can be expensive and restrict how Bavarian Nordic does business*

As a pharmaceutical company, Bavarian Nordic is subject to environmental and safety laws and regulations, including those governing the use of hazardous materials. The cost of compliance with health and safety regulations is substantial. Bavarian Nordic's business activities involve the controlled use of hazardous materials. Bavarian Nordic's R&D activities involve the controlled storage, use and disposal of hazardous materials, including the components of Bavarian Nordic's product candidates and other hazardous compounds. Bavarian Nordic and manufacturers and suppliers with whom Bavarian Nordic may contract are subject to laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. In some cases, these hazardous materials and various wastes resulting from their use are stored at Bavarian Nordic's and Bavarian Nordic's manufacturers' facilities pending their use and disposal. Bavarian Nordic cannot eliminate the risk of accidental contamination or injury from these materials, which could cause an interruption of Bavarian Nordic's commercialization efforts, R&D efforts and business operations, environmental damage resulting in costly clean up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. Bavarian Nordic cannot guarantee that the safety procedures utilized by third-party manufacturers and suppliers with whom Bavarian Nordic may contract will comply with the standards prescribed by laws and regulations or will eliminate the risk of accidental contamination or injury from these materials. In such an event, Bavarian Nordic may be held liable for any resulting damages and such liability could exceed Bavarian Nordic's resources and European, U.S. federal and state or other applicable authorities may curtail Bavarian Nordic's use of certain materials and/or interrupt Bavarian Nordic's business operations. Furthermore, environmental laws and regulations are complex, change frequently and have tended to become more stringent. Bavarian Nordic cannot predict the impact of such changes and cannot be certain of Bavarian Nordic's future compliance. Bavarian Nordic does not currently carry biological or hazardous waste insurance coverage. In the event of an accident or environmental discharge, Bavarian Nordic may be held liable for any consequential damage and any resulting claims for damages, which may exceed Bavarian Nordic's financial resources and may materially adversely affect Bavarian Nordic's business, results of operations and prospects, and the value of Bavarian Nordic's Shares.

### 1.4.6 *Bavarian Nordic's employees and collaborators may engage in misconduct or other improper activities, including violating applicable regulatory standards and requirements or engaging in insider trading, which could significantly harm Bavarian Nordic's business*

Bavarian Nordic is exposed to the risk of employee fraud or other misconduct and the fraud and misconduct of its collaborators. Misconduct by Bavarian Nordic's employees or its collaborators could include non-intentional failures to comply with legal requirements or the requirements of CMMS, the EMA, the FDA and other government regulators, provide accurate information to applicable government authorities, comply with fraud and abuse and other healthcare laws and regulations in Denmark, the United States and elsewhere, report financial information or data accurately or disclose unauthorized activities to Bavarian Nordic. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee or collaborator misconduct could also involve the improper use of, including trading on, information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to Bavarian Nordic's reputation. Bavarian Nordic has adopted a Code of Business Conduct and Ethics, but it is not always possible to identify and deter

employee misconduct, and the precautions Bavarian Nordic takes to detect and prevent this activity may be ineffective in controlling unknown or unmanaged risks or losses or in protecting Bavarian Nordic from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against Bavarian Nordic, and Bavarian Nordic is not successful in defending itself or asserting Bavarian Nordic's rights, those actions could have a significant impact on Bavarian Nordic's business, including the imposition of significant fines or other sanctions.

### 1.5 Risks related to the Offering and the Shares

#### 1.5.1 The market price of Bavarian Nordic's Shares and Preemptive Rights may be highly volatile

The market price of the Shares has been and may in the future continue to be highly volatile, subject to significant fluctuations in response to various factors, many of which are beyond Bavarian Nordic's control and which may be unrelated to Bavarian Nordic's business, operations or prospects.

In addition, the price of the Preemptive Rights and the New Shares may be highly volatile during the Rights Trading Period and the Subscription Period, respectively. Until the merger of the ISIN codes has been completed, the liquidity and market price of the New Shares under the interim ISIN code may be substantially different from the liquidity and market price of the Existing Shares under the existing ISIN code.

Matters which could affect the price of the Shares include actual or anticipated variations in operating results, announcements by Bavarian Nordic or other parties relating to the results of clinical studies, announcements of technological innovations by Bavarian Nordic or Bavarian Nordic's competitors, new products or services introduced by Bavarian Nordic or announced by Bavarian Nordic or Bavarian Nordic's competitors, conditions, trends or changes in the biotechnology and pharmaceutical industries, changes in the market valuations of other similar companies, additions or departures of key employees and further sales of Shares by Bavarian Nordic or Bavarian Nordic's major shareholders.

In addition, the equity market in general, and the market for technology and pharmaceutical companies in particular, has experienced significant price and volume fluctuations that may be unrelated or disproportionate to the operating performance of individual companies.

No assurances can be given that equity market fluctuations, even if otherwise unrelated to Bavarian Nordic's activities, will not have a material adverse effect on the market price of the Shares.

#### 1.5.2 If the market price of the Shares declines significantly, the Preemptive Rights may lose their value and the market for the Preemptive Rights may offer only limited liquidity, and even if a market develops, the Preemptive Rights may not be effectively priced against the price of the Shares

The market price of the Preemptive Rights depends on the price of the Shares. A decline in the price of the Shares could have an adverse effect on the value and market price of the Preemptive Rights.

The Rights Trading Period during which the Preemptive Rights can be traded on Nasdaq Copenhagen commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET. There can be no assurance that a market for the Preemptive Rights will develop when they are initially traded on Nasdaq Copenhagen, and if such a market develops, the Preemptive Rights may not be effectively priced against the price of the Shares.

### 1.5.3 *Shareholders in jurisdictions outside Denmark may be unable to exercise Preemptive Rights*

Holders of Shares in jurisdictions outside Denmark, such as the United States, may be unable to exercise any Preemptive Rights, unless such exercise occurs in accordance with relevant local laws and/or pursuant to an exemption from applicable registration requirements. Bavarian Nordic is under no obligation and does not intend to file a registration statement in any other jurisdiction outside Denmark in respect of the Preemptive Rights or the New Shares, and makes no representation as to the availability of any exemption from any registration requirements under the laws of any other jurisdictions outside Denmark in respect of any such rights in the future.

### 1.5.4 *Failure to exercise Preemptive Rights by the end of the Subscription Period (March 25, 2020 at 5.00 p.m. CET) will result in the lapse of the holder's Preemptive Rights*

If Preemptive Rights are not exercised by the end of the Subscription Period (March 25, 2020 at 5.00 p.m. CET), such holders' Preemptive Rights to subscribe for New Shares will lapse with no value, and the holder will not be entitled to compensation. Accordingly, Existing Shareholders and other holders of Preemptive Rights must ensure that all required exercise instructions are actually received by such Existing Shareholder's or other holder's bank before the deadline. If an Existing Shareholder or other holder fails to provide all required exercise instructions or otherwise fails to follow the procedure applicable to exercising the Preemptive Rights prior to March 25, 2020 at 5.00 p.m. CET, the Preemptive Rights will lapse with no value.

### 1.5.5 *Holders of American depositary receipts ("ADRs") will not be able to exercise the Preemptive Rights related to the Shares that they represent*

Bavarian Nordic has established a sponsored level I ADR program. The average number of outstanding ADRs over the 12 months preceding the date of this Prospectus represent less than 0.01 % of Bavarian Nordic's share capital. Preemptive Rights will be allocated in respect of the Shares deposited with Deutsche Bank Trust Company Americas under the ADR program, however, holders of ADRs will not be entitled to receive the Preemptive Rights. Rather, the depositary will endeavor to sell the Preemptive Rights and to remit the net proceeds therefrom to the ADR holders pro rata pursuant to the terms of the deposit agreement. If the depositary is unable to sell rights, the depositary will allow the Preemptive Rights to lapse, in which case holders of ADRs will receive no value for the Preemptive Rights.

### 1.5.6 *The sale of Preemptive Rights on behalf of shareholders who do not take up their Preemptive Rights may result in a decline in the market price of the Preemptive Rights and the Shares and increased volatility in the Shares*

Certain Existing Shareholders may be unable to take up and exercise their Preemptive Rights as a matter of applicable law. The Preemptive Rights of such Existing Shareholders, with the exception of Preemptive Rights held through financial intermediaries, may be sold by the Existing Shareholders' own custodian banks, but no assurance can be given as to whether such sales may actually take place. Other Existing Shareholders may also choose not to exercise their Preemptive Rights and therefore sell them in the market. The sale of Preemptive Rights by or on behalf of Existing Shareholders could cause significant downward pressure on, and may result in a substantial decline in, the price of the Preemptive Rights and the Shares.

### 1.5.7 *If any Existing Shareholder does not exercise all of its Preemptive Rights, its ownership interest will be diluted, and such dilution might be substantial*

Bavarian Nordic is offering a total of 25,911,252 New Shares for subscription. Prior to the Offering, Bavarian Nordic's registered share capital is nominal DKK 323,890,650 divided into 32,389,065 shares with a nominal value of DKK 10 each. If the Offering is completed, Bavarian Nordic's registered share capital will increase significantly, to nominal DKK 583,003,170, corresponding to 58,300,317 Shares with a nominal value of DKK 10 each. If and to the extent the New Shares have not been subscribed for by the Existing Shareholders through the exercise of their allocated Preemptive Rights or by other investors through the exercise of their acquired Preemptive Rights before the expiry of the Subscription Period, such New Shares will, without compensation to the holders of unexercised Preemptive Rights, be subscribed for by the Joint Global Coordinators. Accordingly, upon issue of the New Shares, any Existing Shareholder who has not exercised its Preemptive Rights will experience substantial dilution of its ownership interest and voting power. Even if an Existing Shareholder decides to sell its Preemptive Rights, the compensation it receives may not be sufficient to offset this dilution. See Part II, section 28, "*Dilution*" for a description of the dilution suffered by Existing Shareholders that do not exercise their Preemptive Rights to subscribe for New Shares.

### 1.5.8 *It may be difficult or impossible for the Company's shareholders and investors outside Denmark to enforce judgments from their home jurisdictions against the Company*

The Company is incorporated, and a majority of Bavarian Nordic's assets and operations are held and conducted in Denmark. As such, it may be difficult or impossible for shareholders and investors outside of Denmark to enforce judgments obtained in courts of such shareholder's and investor's home jurisdictions against the Company.

### 1.5.9 *The Offering may be withdrawn, and shareholders and investors having exercised and/or purchased Preemptive Rights or New Shares may incur a loss if the Offering is not completed*

The Offering may be withdrawn during the period leading up to registration with the Danish Business Authority of the capital increase pertaining to the New Shares. If the Offering is not completed, the exercise of Preemptive Rights that has already taken place will be cancelled automatically. The subscription amount for the New Shares will be refunded (less any transaction costs), all Preemptive Rights will lapse, and no New Shares will be issued. However, trades of Preemptive Rights executed during the Rights Trading Period will not be affected. As a result, shareholders and investors who purchase Preemptive Rights will incur a loss corresponding to the purchase price of the Preemptive Rights and any transaction costs. Similarly, if the Offering is not completed, the New Shares will not be issued. However, trades in New Shares will not be affected, and shareholders and investors who have purchased New Shares will receive a refund of the subscription amount for the New Shares (less any transaction costs).

Shareholders and investors who have purchased New Shares will consequently incur a loss corresponding to the difference between the purchase price and the subscription price of the New Shares plus any transaction fees, unless they succeed in recovering the purchase price from the seller of the New Shares.

# 2. CERTAIN INFORMATION WITH REGARD TO THE PROSPECTUS

In this Prospectus, the "**Company**" refers to Bavarian Nordic A/S and "**Bavarian Nordic**" refers to the Company and its consolidated subsidiaries, unless the context requires otherwise.

In connection with the Offering, the Company has prepared two versions of this document: (i) a prospectus in English for purposes of the Danish offering and the international private placement outside of Denmark and the United States (the "**Prospectus**"); and (ii) a document in English in connection with the private placement in the United States (the "**U.S. Document**"). The Prospectus has been prepared in compliance with the standards and requirements of Danish law. The Prospectus and the U.S. Document are equivalent, except for certain changes on the front page of the U.S. Document to reflect that the Managers do not act with respect to the U.S. private placement and that the U.S. Document does not constitute a prospectus for U.S. purposes.

No representation or warranty, expressed or implied, is made by the Managers, as to the accuracy or completeness of any information contained in this Prospectus.

The Offering will be completed under Danish law, and none of the Managers or the Company has taken any action or will take any action in any jurisdiction, with the exception of Denmark, that is intended to result in a public offering of the Preemptive Rights and/or the New Shares.

## 2.1 *Notice to shareholders and investors in the United States*

The Preemptive Rights and the New Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of such regulatory authorities passed upon or endorsed the merits of the Offering or the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Preemptive Rights and the New Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws in the Unites States. Accordingly, the Preemptive Rights may not be offered, sold, purchased or exercised in the United States, and the New Shares may not be subscribed for, offered or sold in the United States, unless in either case they are registered under the U.S. Securities Act or are subject to an exemption from the registration requirements of the U.S. Securities Act. No public offering of the Preemptive Rights or the New Shares is being made in the United States. Any offering of the Preemptive Rights and the New Shares made in the United States will only be made by the Company pursuant to an exemption from, the registration requirements of the U.S. Securities Act to a limited number of investors that (i) are qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act ("**QIBs**") and (ii) have executed and delivered an investor representation letter addressed to Bavarian Nordic. Consequently, in the United States, shareholders and investors who are not QIBs cannot participate in the offer, subscribe for New Shares or exercise Preemptive Rights. In connection with the rights issue, neither Citigroup Global Markets Limited ("**Citi**"), Nordea Danmark, Filial af Nordea Bank Abp ("**Nordea**"), Danske Bank A/S ("**Danske Bank**") nor Needham & Company, LLC ("**Needham & Company**") will effect any transactions or induce or attempt to induce the purchase or sale of any security in or into the United States. The offering of the Preemptive Rights and the New Shares to eligible shareholders in the United States will be the sole responsibility of Bavarian Nordic.

Although all Existing Shareholders, regardless of the jurisdiction in which they reside, will be allocated Preemptive Rights, due to restrictions under applicable laws and regulations, the Company expects that

certain Existing Shareholders residing in the United States may not be able to receive this Prospectus and may not be able to exercise their allocated Preemptive Rights and to subscribe for the New Shares.

For the period of 40 days after the commencement of the Offering, an offer or a transfer of Preemptive Rights or New Shares in the United States made by a securities broker (regardless of whether or not this broker partakes in the rights issue) could entail a breach of the registration requirements under the U.S. Securities Act, unless made in accordance with an exemption from the registration requirements under the U.S. Securities Act. Shareholders whose existing shares are directly registered in a securities account with registered addresses in the United States will not receive the Prospectus, nor will they receive any subscription rights on their respective securities accounts or any pre-printed issue statement or application form. Banks or other nominees that hold for shareholders in Bavarian Nordic whose holdings on the record date are nominee registered must not send this Prospectus or any pre-printed issue statement or application form to shareholders with addresses in, or who are located or resident in, the United States without the prior written approval of Bavarian Nordic. Any person in the United States that obtains a copy of the Prospectus or any pre-printed issue statement or application form and that is not a QIB is required to disregard them.

For certain further restrictions on receipt, exercise and transfer of the Preemptive Rights and New Shares, see section 24.11, "*Jurisdictions in which the Offering will be announced and restrictions applicable to the Offering*".

For as long as any of the Company's Preemptive Rights and New Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted Preemptive Rights and New Shares, or to any prospective purchaser of such restricted Preemptive Rights and New Shares designated by such holder or beneficial owner, upon request the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. The Company is currently exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b).

There is no treaty between the United States and Denmark providing for reciprocal recognition and enforceability of judgments rendered in connection with civil and commercial disputes and, accordingly, a final judgment rendered by a U.S. court based on civil liability would not be enforceable in Denmark. It is uncertain whether Danish courts would allow actions to be predicated on the securities laws of the United States or other jurisdictions outside Denmark. Danish courts are likely to deny claims for punitive damages and may grant a reduced amount of damages compared to U.S. courts.

Each purchaser of the Preemptive Rights and New Shares in the United States will be deemed to have represented and agreed as follows

1. The purchaser (a) is a QIB or a broker-dealer acting for the account of a QIB, (b) is acquiring such Preemptive Rights and/or New Shares for its own account or for the account of a QIB, and (c) is aware that the Preemptive Rights and New Shares are restricted within the meaning of the U.S. Securities Act and may not be deposited into any unrestricted depositary facility, unless at the time of such deposit the Preemptive Rights and New Shares are no longer restricted.
2. The purchaser is aware that the Preemptive Rights and New Shares have not been and will not be registered under the U.S. Securities Act, and are being offered in the United States only to QIBs in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act.

3. The purchaser understands and agrees that the Preemptive Rights and New Shares may not be offered, sold, pledged or otherwise transferred, except (a) to a person that the seller and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of another QIB or (b) outside the United States in accordance with Regulation S under the U.S. Securities Act of 1933, as amended, or (c) pursuant to an exemption from registration under the U.S. Securities Act, or (d) pursuant to an effective registration statement under the U.S. Securities Act.

### *2.2 European Economic Area restrictions*

In any member state of the European Economic Area (the "**EEA**") other than Denmark (each a "**Relevant Member State**"), this Prospectus is only addressed to, and is only directed at, shareholders and investors in that Relevant Member State who fulfil the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Regulation as implemented in each such Relevant Member State.

This Prospectus has been prepared on the basis that all offers of Preemptive Rights and the New Shares, other than the offer contemplated in Denmark, will be made pursuant to an exemption under the Prospectus Regulation, as implemented in the Relevant Member States, from the requirement to produce a prospectus for offers of the Preemptive Rights or New Shares. Accordingly, any person making or intending to make any offer within the EEA of Preemptive Rights or New Shares which is the subject of the placement contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Company or any of the Managers to produce a prospectus for such offer.

Neither the Preemptive Rights nor the New Shares have been, and will not be, offered to the public in any Relevant Member State, excluding Denmark. Notwithstanding the foregoing, an offering of the Preemptive Rights and New Shares may be made in a Relevant Member State: (i) to any qualified investor as defined in the Prospectus Regulation; (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation subject to obtaining the prior consent of the Joint Global Coordinators); (iii) to investors who purchase securities for a total consideration of at least EUR 100,000 per investor, for each separate offer; (iv) if the denomination per unit amounts to at least EUR 100,000; or (v) in any other circumstances falling within Article 1(4) of the Prospectus Regulation; provided that no such offer of New Shares shall result in a requirement for the publication by the Company or the Managers of a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplementary prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Preemptive Rights and New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering, the Preemptive Rights and the New Shares so as to enable an investor to decide to purchase Preemptive Rights and purchase or subscribe for New Shares.

Although all Existing Shareholders, regardless of the jurisdiction in which they reside, will be allocated Preemptive Rights, due to restrictions under applicable laws and regulations in jurisdiction outside of Denmark, certain Existing Shareholders may not be able to receive this Prospectus and may not be able to exercise their allocated Preemptive Rights and to subscribe for the New Shares. The Company makes no offer or solicitation to any person under any circumstances that may be unlawful.

### *2.3 United Kingdom restrictions*

In addition to the EEA restriction above, in the United Kingdom, this Prospectus is being distributed only to, and is directed only at, and any offer subsequently made in relation to any Preemptive Rights and New Shares may only be directed at persons who are "qualified investors" (as defined in the Prospectus Regulation) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). This Prospectus must not be acted on or relied on in the United Kingdom by persons who are not Relevant Persons. In the United Kingdom, any investment or investment activity to which this Prospectus relates is only available to, and will be engaged in with, Relevant Persons.

Although all Existing Shareholders, regardless of the jurisdiction in which they reside, will be allocated Preemptive Rights, due to restrictions under applicable laws and regulations in jurisdiction outside of Denmark, certain Existing Shareholders may not be able to receive this Prospectus and may not be able to exercise their allocated Preemptive Rights and to subscribe for the New Shares. The Company makes no offer or solicitation to any person under any circumstances that may be unlawful.

### *2.4 Information to distributors*

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities that are the subject of the Offering have been subject to a product approval process, which has determined that the Preemptive Rights and the New Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Preemptive Rights and the Shares may decline and shareholders and investors could lose all or part of their investment; the Preemptive Rights and the Shares offer no guaranteed income and no capital protection; and an investment in the Preemptive Rights and the Shares is compatible only with shareholders and investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties (except for a public offering to shareholders and investors in Denmark conducted pursuant to a separate prospectus that has been approved by and registered with the Danish Financial Supervisory Authority (the "**Danish FSA**")).

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or shareholder in the Company or group of investors or shareholders in the Company to invest in, or purchase, or take any other action whatsoever with respect to, the Preemptive Rights and the New Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Preemptive Rights and the New Shares and determining appropriate distribution channels.

# 3. RESPONSIBILITY STATEMENT

## 3.1 The Company's responsibility

Bavarian Nordic A/S is responsible for this Prospectus in accordance with Danish law.

## 3.2 Statement

We hereby declare, as the persons responsible for this Prospectus on behalf of Bavarian Nordic A/S in our capacity as members of the board of directors and the executive management of Bavarian Nordic A/S (company registration no. 16271187), that to the best of our knowledge, the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

We furthermore declare that this Prospectus has been approved by the Danish Financial Supervisory Authority as competent authority under the Prospectus Regulation. The Danish Financial Supervisory Authority only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of Bavarian Nordic that is the subject of this Prospectus. Shareholders and investors should make their own assessment as to the suitability of investing in the Preemptive Rights and New Shares.

Copenhagen, March 6, 2020
Bavarian Nordic A/S

***Board of Directors***

| | | |
|---|---|---|
| Gerard van Odijk<br>*Chairman* | Anders Gersel Pedersen<br>*Deputy Chairman* | Elizabeth McKee Anderson<br>*Board member* |
| Frank Verwiel<br>*Board member* | Peter Kürstein<br>*Board member* | Anne Louise Eberhard<br>*Board member* |
| Erik G. Hansen<br>*Board member* | | |

- Gerard van Odijk: Independent advisor for the pharmaceutical industry
- Anders Gersel Pedersen: Professional board member
- Elizabeth McKee Anderson: Professional board member
- Frank Verwiel: Professional board member
- Peter Kürstein: Professional board member
- Anne Louise Eberhard: Professional board member
- Erik G. Hansen: Professional board member

***Executive Management***

Paul Chaplin
*President & Chief Executive Officer*

# 4. IMPORTANT NOTICE AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS

## 4.1 Special notice regarding potential changes in Bavarian Nordic

The information in this Prospectus is as of the date printed on the front of the cover, unless expressly stated otherwise. The delivery of this Prospectus at any time does not imply that there has been no change in Bavarian Nordic's business or affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof. In the event of any changes to the information in this Prospectus that may affect the assessment of the New Shares during the period from the date of announcement of this Prospectus to the date of completion of the Offering, such changes will be announced pursuant to the rules in the Prospectus Regulation, *inter alia*, which governs the publication of prospectus supplements.

In making an investment decision, shareholders and investors must rely on their own assessment of the Company and the terms of this Offering, as described in this Prospectus, including the merits and risks involved. Any investment in the Preemptive Rights and the New Shares should be based on the assessments of the information in the Prospectus, including the legal basis and consequences of the Offering, and including possible tax consequences that may apply, before deciding whether or not to invest in the Preemptive Rights and/or New Shares. Shareholders and investors should rely only on the information contained in this Prospectus, including the risk factors described herein.

No person has been authorized to give any information or make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Managers or the Company. None of the Company or the Managers accepts any liability for any such information or representation.

The distribution of this Prospectus and the offer or sale of the Preemptive Rights and the New Shares in certain jurisdictions is restricted by law. By investing in the Preemptive Rights and/or the New Shares, shareholders and investors will be deemed to have made certain acknowledgements, representations and agreements as described in this Prospectus. Shareholders and prospective investors should be aware that they may be required to bear the financial risks of an investment in the Preemptive Rights and/or the New Shares for an indefinite period of time. No action has been or will be taken by the Managers or the Company to permit a public offering in any jurisdiction other than Denmark. Persons into whose possession this Prospectus may come are required by the Managers and the Company to inform themselves about and to observe such restrictions. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. For further information with regard to restrictions on offers and sales of the Preemptive Rights and the New Shares and the distribution of this Prospectus, see section 24.11, "*Jurisdictions in which the Offering will be announced and restrictions applicable to the Offering*". This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Preemptive Rights and/or the New Shares in any jurisdiction to any person to whom it would be unlawful to make such an offer. This Prospectus may not be forwarded, reproduced or in any other way redistributed by anyone but the Managers and the Company. Shareholders and investors may not reproduce or distribute this Prospectus, in whole or in part, and shareholders and investors may not disclose the content of this Prospectus or use any information herein for any purpose other than considering the purchase of Preemptive Rights and the New Shares. Shareholders and investors agree to the foregoing by accepting delivery of this Prospectus.

The Managers are acting for the Company and no one else in relation to the Offering and admission to trading of the Preemptive Rights and the New Shares on Nasdaq Copenhagen. The Managers will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Managers or for providing advice in relation to the Offering and admission to trading of the Preemptive Rights and the New Shares on Nasdaq Copenhagen.

## 4.2 *Special notice regarding forward-looking statements*

Certain statements in this Prospectus constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and Bavarian Nordic's anticipated or planned financial and operational performance. The words "targets", "believes", "expects", "aims", "intends", "plans", "seeks", "will", "may", "might", "anticipates", "would", "could", "should", "estimates" or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, under the heading "*Summary*", in section 1, "*Risk Factors*", section 6, "*Trends*", section 7, "*Business*", section 10, "*Consolidated Prospective Financial Information*" and section 15.7, "*Historical dividends and dividend policy*" and include, among other things, statements addressing matters such as:

1. Bavarian Nordic's expectations regarding the sales of its vaccines, including timing of transferring marketing authorization for Rabipur/RabAvert and Encepur;
2. Bavarian Nordic's expectations regarding establishing marketing capabilities;
3. Bavarian Nordic's expectations regarding manufacturing, including timing and success of completing the technology transfer of the manufacturing process relating to of Rabipur/RabAvert and Encepur to Bavarian Nordic and timing of completion of validation of the new fill and finish facility in Kvistgaard;
4. Bavarian Nordic's receipt of future milestone payments from collaboration partners, and the expected timing of such payments;
5. Bavarian Nordic's expectations regarding the potential market size and the size of the patient populations for its vaccines and product candidates
6. Bavarian Nordic's expectations regarding the (potential) advantages of its vaccines and product candidates over existing therapies;
7. Bavarians Nordic's expectations with regard to its ability to develop additional product candidates;
8. Bavarian Nordic's expectations with regard to the willingness and ability of current and future collaboration partners to pursue the development of Bavarian Nordic's product candidates;
9. Bavarian Nordic's development plans with respect to its product candidates;
10. the initiation, timing, progress and results of Bavarian Nordic's preclinical studies and clinical trials, and research and development programs;
11. the timing or likelihood of regulatory filings and approvals for product candidates;
12. the pricing of and reimbursement for Bavarian Nordic's vaccines and products candidates;
13. the implementation of Bavarian Nordic's strategy;
14. the scope of protection Bavarian Nordic is able to establish and maintain for intellectual property rights covering its vaccines and product candidates; and
15. estimates of Bavarian Nordic's expenses, future revenue and capital requirements.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, Bavarian Nordic's actual, financial condition, cash flow or results of operations could differ materially from what is described herein as anticipated, believed, estimated or expected. The Company urges its shareholders and investors to read section 1, "*Risk Factors*", section 7, "*Business*", section 9, "*Operation and financial review*" and section 10, "*Consolidated Prospective Financial Information*" for a more complete discussion of the factors that could affect Bavarian Nordic's future performance and the market in which it operates.

The Company does not intend, and does not assume, any obligations to update any forward-looking statements contained herein, except as may be required by law or the rules of Nasdaq Copenhagen. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained in this Prospectus.

## 4.3 Enforcement of civil liabilities and service process

The Company is organized under the laws of Denmark. As a result, it may not be possible for shareholders and investors to effect service of process upon the Company or any of its respective directors and officers or to enforce against any of the aforementioned parties a judgement obtained in a court outside Denmark.

## 4.4 Expected timetable of principal events

| | |
|---|---|
| Publication of the Prospectus | March 6, 2020 |
| Last day of trading in Existing Shares with Preemptive Rights | March 9, 2020 |
| First day of trading in Existing Shares without Preemptive Rights | March 10, 2020 |
| Rights Trading Period commences | March 10, 2020, 9.00 a.m. CET |
| Date of listing of the New Shares under the interim ISIN code | March 10, 2020 |
| Allocation Time of Preemptive Rights | March 11, 2020, 5.59 p.m. CET |
| Subscription Period for New Shares commences | March 12, 2020 |
| Rights Trading Period closes | March 23, 2020, 5.00 p.m. CET |
| Subscription Period for New Shares closes | March 25, 2020, 5.00 p.m. CET |
| Publication of the results of the Offering | March 27, 2020 |
| Registration of the capital increase regarding the New Shares with the Danish Business Authority and issuance of the New Shares through VP Securities | March 30, 2020 |
| Completion of the Offering | The Offering will only be completed if and when the New Shares subscribed for are issued by the Company and the capital increase is registered with the Danish Business Authority, expected to take place on March 30, 2020 |
| Official listing of and trading of the New Shares under the existing ISIN code | April 1, 2020 |
| Merger of the interim ISIN code for the New Shares and the ISIN code for the Existing Shares in VP Securities | April 2, 2020 |

The above timetable is subject to change. Any changes will be announced via Nasdaq Copenhagen.

# 5. INFORMATION ABOUT THE COMPANY

## 5.1 Name and legal entity

The name, address and telephone number of the Company is:

**Bavarian Nordic A/S**

Philip Heymans Alle 3
DK-2900 Hellerup
Telephone number +45 33268383
Website: www.bavarian-nordic.com

The information included on the Company's website does not form part of and is not incorporated by reference into this Prospectus. The Company's registered office is in the municipality of Hellerup, Denmark. The Company was incorporated as a public limited liability company under the laws of Denmark on July 1, 1992. The Company is registered with the Danish Business Authority under the following company registration number 16271187 and has legal entity identifier number (LEI) 2138006JCDVYIN6INP51.

# 6. TRENDS

Drug sales are expected to be impacted by important exogenous macro trends like demographic developments, environmental changes, increased treatment penetration especially in newly established markets, pricing issues, competition and regulatory requirements.

## 6.1 Demographic development

One of the strongest long-term demographic trends is the growing population in general as well as the growing elderly part of the population that increases the demand for medicine and health services. Apart from the overall increased number of people that needs healthcare, a general increase in global wealth creating an increase in demand from individuals that can afford proper healthcare services as well as from countries that increases the level of healthcare coverage is also seen. In addition, increased global travel activity increases demand for certain vaccines.

## 6.2 Environmental changes

There is increasing evidence that climate changes could result in an expansion of endemic diseases into new and more populated areas, e.g. mosquito- or tick-borne diseases spreading as a result of global warming, resulting in new and more habitats for the animals according to the U.S. Centers for Disease Control and Prevention (the "**CDC**"). Also, deforestation is forcing animals to find new habitats, potentially moving closer or even into populated areas with an increased risk of spreading certain animal-borne diseases to humans.

## 6.3 Increased treatment penetration

Rising global economic welfare has led to elevated demands regarding quality of medical care. This has led to increasing popularity of western style healthcare products and services that have received approval from the FDA and/or EMA. Approvals from regulatory bodies function as a strong barrier to entry for western style healthcare markets.

## 6.4 Pricing

Over the last decade there has been a general trend to reduce drug prices in developed countries. While drug prices in the pharmaceutical industry in general are under a certain pressure, this trend is partly offset by sales growth in existing markets, expansion into new geographical markets and segments as well as coverage increase in certain regions, such as Germany and Switzerland with respect to TBE. Additionally, in the United States for certain drugs, prices appear to have stabilized. Historically, Bavarian Nordic has supplied its vaccines to governments, and has not been exposed to general market trends. However, with Rabipur/RabAvert and Encepur, the Company has started operating in commercial markets, where these vaccines have seen some price pressure from parallel import. Although the number of competing vaccines for Rabipur/RabAvert and Encepur is limited, the markets where Rabipur/RabAvert and Encepur are marketed and sold are quite competitive.

Parallel import is a trend that may impact future pricing policies negatively. In the short term this is mostly relevant for Rabipur/RabAvert and Encepur. There is a tendency that governments are supporting parallel import to keep healthcare prices down.

### 6.5 Competition

JYNNEOS/IMVANEX/IMVAMUNE are niche market vaccines with no or very limited competition and with high barriers to entry. Although the number of competing vaccines for Rabipur/RabAvert and Encepur is limited, the markets where Rabipur/RabAvert and Encepur are marketed and sold are quite competitive. In regard to JYNNEOS for monkeypox, Bavarian Nordic has the only approved vaccine against monkeypox and within smallpox, Bavarian Nordic has the only FDA approved non-replicating smallpox vaccine. Bavarian Nordic does not see any new trends with respect to its competitive position within the coming years.

### 6.6 Public Regulation

The pharmaceutical industry is one of the most regulated industries and subject to ever increasing regulation. There are numerous strict rules and regulations that applies to both development procedures of new compounds, regulatory requirements during the approval process as well as pricing issues, IP and competition during the commercial process.

# 7. BUSINESS

## 7.1 Overview

Bavarian Nordic is a fully integrated biotechnology company developing, manufacturing and commercializing vaccines for the prevention and treatment of life-threatening diseases. Bavarian Nordic focuses on diseases for which the unmet medical need is high and for which it can harness the power of the immune system to induce a response.

Bavarian Nordic's live virus vaccine platform technology employs poxviruses in a modular approach to create vaccines. These poxviruses are designed to enhance the immune system through the production of antibodies and the stimulation of T-cells. The poxvirus family consists of viruses with larger DNA genomes than other viruses, allowing for insertion of genetic material, encoding for multiple and relatively large antigens to induce an immune response. This enables Bavarian Nordic to create vaccines for a wide variety of infectious diseases. It also permits Bavarian Nordic to target multiple antigens for a single disease, which it believes to lead to a more robust vaccine. Bavarian Nordic is also developing cancer immunotherapy product candidates to harness the power of the immune system to fight cancer. These product candidates have been designed to enhance a specific T-cell response against a tumor target. In addition, this targeted T-cell response also inflames the tumor, thereby making it more sensitive to additional targeted therapies.

The Company's own developed vaccines are based on the MVA-BN platform, an attenuated, non-replicating vaccinia virus, which, when used as a vaccine, has shown to carry fewer side effects than vaccines based on replicating viruses. This platform technology, together with Bavarian Nordic's highly technical expertise in the research, development and manufacturing of MVA-BN vaccines, has generated commercial vaccines for smallpox, monkeypox as well as a compelling pipeline of development projects, including a product candidate for prevention of Ebola, which is licensed to Janssen as part of a two-dose vaccine regimen. A marketing authorization application has been submitted for the Ebola vaccine regimen to EMA with potential approval in 2020.

Effective as of December 31, 2019, the Company acquired the commercial and manufacturing rights to Rabipur/RabAvert for the prevention and treatment of rabies and Encepur for prevention of TBE from GSK. Both vaccines are also based on attenuated viruses and are manufactured using same type of technology as Bavarian Nordic's existing technology and have been manufactured and sold for more than 20 years. This Acquisition is transformative for Bavarian Nordic as it accelerates its vision to become a leading and profitable vaccine company and creates a foundation for further growth through commercialization.

MVA-BN as a stand-alone smallpox vaccine has been developed through a more than 15-year long partnership with the U.S. Government to address their requirements for a non-replicating smallpox vaccine, which can be used in the entire population, including immune compromised persons who are not eligible to receive a replicating smallpox vaccine. Bavarian Nordic has received contracts to date worth more than USD 1.8 billion for the development and supply of the vaccine. Prior to FDA approval in 2019, Bavarian Nordic had delivered 28 million doses of the vaccine for the U.S. Strategic National Stockpile ("**SNS**") for use in the case of an emergency outbreak.

The table below sets out an overview of Bavarian Nordic's commercial vaccines.

| Vaccine | Indication | Key Markets |
|---|---|---|
| **JYNNEOS/IMVANEX/IMVAMUNE** *(liquid-frozen)* | Smallpox and Monkeypox* | North America, Europe |
| **Rabipur/RabAvert** | Rabies | North America, Western Europe |
| **Encepur** | European (Western) tick-borne-encephalitis | Western Europe |

* Approval for monkeypox only in USA

Bavarian Nordic's commercialized vaccine portfolio consists of:

- JYNNEOS/IMVANEX/IMVAMUNE, which is a smallpox vaccine approved and marketed in the United States, the EEA and Canada. Prior to the approval of JYNNEOS in the United States, Bavarian Nordic had supplied 28 million doses of the vaccine to the United States for stockpiling in the SNS in the event of an emergency outbreak of smallpox. Bavarian Nordic is also developing a freeze-dried formulation of the vaccine under a contract with the U.S. Government to replace the current liquid-frozen version. With an anticipated longer shelf life, Bavarian Nordic believes that its freeze-dried formulation is well positioned to fulfil the U.S. Government's long-term stockpiling requirements for a smallpox vaccine to protect up to 66 million people. Bavarian Nordic recognized revenue of DKK 324 million, DKK 323 million and DKK 823 million in 2019, 2018 and 2017, respectively, from sales of its smallpox vaccine.
- In the United States JYNNEOS is also approved for the prevention of monkeypox disease and is the only approved vaccine for this indication. With recurring outbreaks of monkeypox in Central Africa and the occurrence of cases outside Africa, due to travelers carrying the disease, Bavarian Nordic believes there is a market opportunity for JYNNEOS as a traveler vaccine, and Bavarian Nordic intends to develop this market in the coming years.
- Rabipur/RabAvert is approved for pre- and post-exposure protection against rabies for all age groups and Encepur is approved for prevention of European (Western) TBE virus. Rabipur/RabAvert and Encepur were as of December 31, 2019 sold in 36 countries.

Bavarian Nordic has the worldwide rights to Rabipur/RabAvert and Encepur with the limitation that it may not sell Rabipur/RabAvert in certain excluded territories (primarily located in Asia, including Russia, South America and Africa) until after Q2 2024. Revenue generated from sales of Rabipur/RabAvert and Encepur in 2019 was EUR 200 million. The transition agreement entered into with GSK governs, among other things the transfer or re-registration of marketing authorizations in respect of the markets in which Rabipur/RabAvert and Encepur are currently sold.

The table below sets out an overview of Bavarian Nordic's clinical pipeline.

| Vaccine | Indication | Phase 1 | Phase 2 | Phase 3 | Status / Milestone |
|---|---|---|---|---|---|
| ***Infectious Diseases*** | | | | | |
| MVA-BN (freeze-dried) | Smallpox | | | | Phase 3 – lot-consistency study ongoing with anticipated completion in 2021 |
| MVA-BN RSV | RSV | | | | Phase 3 – planned to initiate in 2021. Initial data read-out in 2022 |
| MVA-BN Filo | Ebola | | | | Licensed to Janssen. Janssen has filed MAA in Europe with potential approval in 2020 |
| MVA-BN WEV | Equine encephalitis | | | | Phase 1 – dose finding study of equine encephalitis virus vaccine ongoing, topline results anticipated in 2020 |
| MVA-BN HPV | human papilloma-virus ("**HPV**") | | | | Licensed to Janssen. Phase 1/2a study ongoing |
| ***Cancer Immunotherapy*** | | | | | |
| BN-Brachyury | Chordoma | | | | Report initial objective response rate ("ORR") results from Ph2 study of BN-Brachyury in chordoma during 2020 |
| CV301 | Solid tumors | | | | Several investigator-sponsored studies ongoing in bladder, colorectal and pancreatic cancer |

Bavarian Nordic's pre-clinical development pipeline currently consists of product candidates for human immunodeficiency virus ("**HIV**") and hepatitis B virus ("**HBV**").

In order to advance its pipeline, Bavarian Nordic has established and will continue to assess collaborations with third parties. Bavarian Nordic is working closely with the NCI, and other institutes and centers of the NIH, towards the development of key technologies underlying Bavarian Nordic's product candidates. Bavarian Nordic has established relationships with the U.S. Public Health Emergency Medical Countermeasures Enterprise, as well as its member organizations, including BARDA, the U.S. Department of Defense ("**DOD**"), and the Department of Homeland Security ("**DHS**"). Bavarian Nordic retains worldwide commercial rights to all of its pipeline assets except the four vaccines comprised by the collaboration with Janssen (Ebola, HPV, HIV and HBV).

Bavarian Nordic owns and operates a fully integrated, highly scalable cGMP, commercial vaccine manufacturing facility in Kvistgaard, Denmark. This facility has been inspected by EMA and the FDA without notice of any material deficiency and has furthermore had numerous successful inspections by the NIH and BARDA as part of Bavarian Nordic's smallpox vaccine contracts with the U.S. Government. Bavarian Nordic's ability to manufacture its live virus vaccines has been demonstrated by the manufacturing of 28 million doses of the MVA-BN smallpox vaccine to date and more than 2 million doses of the MVA-BN Filo product candidate for Ebola. Bavarian Nordic believes that its manufacturing facility including the expansion with a fill and finish facility and an additional bulk production, will be able to support future commercial activities at currently anticipated levels of manufacturing of both commercialized vaccines, and its late-stage product candidates.

The management of Bavarian Nordic has a broad expertise in the development and commercialization of vaccines. The Company's president and chief executive officer is Paul Chaplin, Ph.D., who joined the company in 1999 after having worked as an immunologist in both the United Kingdom and Australia, developing vaccines against infectious diseases. Bavarian Nordic's executive vice president and chief financial officer, Henrik Juuel, has over 25 years of experience in business management within the life science industry. Executive vice president and chief operating officer, Henrik Birk, has 20 years of experience in business management. Executive vice president and chief business officer, Tommi Kainu, has almost 20 years of experience from Boston

Consulting Group. Executive vice president and chief commercial officer, Jean-Christophe May, has 25 years of experience from commercial roles within GSK, most recently serving as global vaccines commercialization leader.

## 7.2 Acquisition of Rabipur/RabAvert and Encepur

Effective as of December 31, 2019, Bavarian Nordic acquired the commercial and manufacturing rights to the vaccines Rabipur/RabAvert and Encepur from GSK. The full integration of Rabipur/RabAvert and Encepur operations into Bavarian Nordic's existing business is planned to be staged over a five-year period from 2020 to 2025 and is regulated by three principal agreements, each of which relates to a different aspect of the transaction.

Bavarian Nordic and GSK have entered into an asset purchase agreement, which primarily governs the purchase of Rabipur/RabAvert, Encepur and certain associated assets from GSK to Bavarian Nordic. Under the asset purchase agreement Bavarian Nordic has acquired the worldwide rights to Rabipur/RabAvert and Encepur with the limitation that Bavarian Nordic may not sell Rabipur/RabAvert in certain specified territories as further described in section 18.1.1, "*Asset purchase agreement*". In addition, Bavarian Nordic and GSK have entered into a transition service agreement, which primarily regulates the marketing, regulatory and distribution obligations of GSK in relation to Rabipur/RabAvert and Encepur in the period before Bavarian Nordic is able to assume those obligations and, finally, a manufacturing and supply agreement, which sets out the terms on which GSK will manufacture the vaccines for Bavarian Nordic in the period before the manufacture of Rabipur/RabAvert and Encepur has been transferred to Bavarian Nordic's own facility. For a description of the technology transfer of Rabipur/RabAvert and Encepur see section 7.11.3, "*Technology transfer of Rabipur/RabAvert and Encepur*" and for a description of the terms of the Acquisition Agreements entered into with GSK, and the 5-year business transition plan and milestones for Rabipur/RabAvert and Encepur see section 18.1, "*Terms of the Acquisition*".

Rabipur/RabAvert and Encepur are manufactured using the same SPF egg-based technology as Bavarian Nordic's other vaccines, creating the potential for significant synergies and an expected uplift in margin upon the full transition of manufacturing to Bavarian Nordic. Together with JYNNEOS, which was approved in 2019 by the FDA to protect against smallpox and monkeypox viruses, the acquisition of Rabipur/RabAvert and Encepur creates a leading infectious disease franchise.

The two acquired vaccines combined generated 2019 revenue of EUR 200 million. Rabipur/RabAvert and Encepur combined revenue demonstrating low-to-mid single digit growth from the previous estimated 2019 combined revenue of approximately DKK 1,300 million. The cash-flow contribution in particular will allow Bavarian Nordic to continue investing in its pipeline of innovative development projects.

## 7.3 Key strengths

Bavarian Nordic is a fully integrated biotechnology company, with several key competitive advantages in developing, manufacturing and commercializing live virus vaccines:

- ***Validated vaccine technology***. Bavarian Nordic's modular and proprietary vaccine technology can be used to develop vaccines across a variety of indications in infectious diseases and cancer. The technology has been validated through several regulatory approvals as well as Bavarian Nordic's partnerships with governments and pharmaceutical companies.
- ***Marketed vaccines with strong brands and recognition.*** Rabipur/RabAvert and Encepur have been sold and manufactured for more than 20 years and are well-established vaccines with a strong reputation and market acceptance.

- ***Diversified pipeline.*** The unique properties of Bavarian Nordic's technology have allowed for the development of a diversified pipeline of both proprietary and partnered product candidates addressing high unmet medical needs.
- ***Ongoing relationships with government agencies and pharma industry partners.*** Bavarian Nordic has a long-standing collaboration with the U.S. Government spanning multiple agencies that have supported the development of several product candidates, including JYNNEOS, for which procurement contracts have also been entered into. Bavarian Nordic also has ongoing collaborations with other governments to supply its smallpox vaccine, in addition to several industry partnerships to develop and manufacture novel product candidates, including the long-standing and close collaboration with Janssen.
- ***Fully operational, commercial-scale cGMP manufacturing facility.*** The ability to efficiently produce Bavarian Nordic's live virus vaccines has been demonstrated by its manufacturing of 28 million doses of JYNNEOS/IMVANEX/IMVAMUNE for smallpox and more than 2 million doses of the Company's MVA-BN Filo product candidate for Ebola to date.
- ***Strong research and development team.*** Bavarian Nordic has a strong and experienced research and development team that has discovered several innovative vaccines and product candidates.
- ***Broad intellectual property estate.*** Bavarian Nordic owns a broad patent portfolio of more than 718 patents and approximately 272 patent applications related to Bavarian Nordic's vaccine technology as of the Prospectus Date. In addition, Bavarian Nordic has more than 25 years of live virus vaccine experience that underlies its trade secrets and know-how with respect to modifying viruses to treat a wide variety of infectious diseases and cancers.
- ***Experienced management team.*** Bavarian Nordic has a strong management team with broad expertise in life science, vaccine development, manufacturing and commercialization.

## *7.4 Mission, vision and strategy*

Following the acquisition of Rabipur/RabAvert and Encepur from GSK, Bavarian Nordic has revised its vision and adjusted its strategy.

Bavarian Nordic's mission remains to save and improve lives by unlocking the power of the immune system.

The Company has set out the following vision:

*By 2025 we aspire to be one of the largest pure play vaccines companies, improving and saving lives by excelling in R&D innovation, manufacturing and commercialization.*

This vision is carried by three strategic pillars: (i) a company driven by commercial excellence, (ii) to develop innovative life-saving vaccines, and (iii) best in class vaccine manufacturer.

**Establish a full-scale commercial operation to expand the business and drive profitable growth**

Following the Acquisition of Rabipur/RabAvert and Encepur and the FDA approval of JYNNEOS, Bavarian Nordic has an ambition to expand its operations to include a full commercial organization. The Acquisition creates the opportunity to establish a scaled commercial organization that is synergistic to JYNNEOS for the monkeypox indication.

Key strategic activities and milestones in 2020 include:

- Assume full sales and marketing responsibility for Rabipur/RabAvert and Encepur from GSK
- Establish a full commercial organization to support Rabipur/RabAvert, Encepur and JYNNEOS for the monkeypox indication
- Take over distribution of Rabipur/RabAvert and Encepur in selected markets
- Increase awareness and establish a new market for monkeypox indication.

The mid- to long term goals are to: (i) secure profitable growth of the commercial business, (ii) establish JYNNEOS/IMVANEX/IMVAMUNE as the global leader for the prevention of smallpox and JYNNEOS with respect to monkeypox, (iii) become a preferred partner to healthcare professionals for the prevention and treatment of rabies and prevention of TBE, smallpox and monkeypox and (iv) further expand the portfolio of commercial stage products either organically or through acquisitions.

**Expand and advance portfolio of pipeline projects**

Following the Acquisition of Rabipur/RabAvert and Encepur and the FDA approval of JYNNEOS, Bavarian Nordic has an ambition to expand its operations to include a full commercial organization. The Acquisition creates the opportunity to establish a scaled commercial organization that is synergistic to JYNNEOS for the monkeypox indication.

Key strategic activities and milestones in 2020 include:

- Continue preparations for initiation of the Phase 3 trial of MVA-BN RSV in the elderly in 2021
- Advance the Phase 3 trial of smallpox MVA-BN freeze-dried formulation
- Obtain successful marketing authorization of Ebola vaccine MVA-BN Filo in the EEA (partnered with Janssen)
- Establish proof-of-concept for BN-Brachyury in chordoma
- Explore intra-tumoral/intravenous administration within immunotherapy.

The mid- to long term goals are to: (i) secure approval of three vaccines; the freeze-dried version of the smallpox vaccine, the RSV vaccine, to be launched together with a partner, and the Janssen partnered Ebola vaccine, (ii) secure proof-of-concept of new immunotherapy approaches, and (iii) introduce at least one more infectious disease pipeline project.

**Expand manufacturing expertise and capacity**

Bavarian Nordic wants to further leverage its expertise within manufacturing of live virus vaccines. This involves completing the manufacturing footprint to encompass the full value chain from bulk manufacturing to fill and finish, as well as increasing bulk capacity and introducing the flexibility to manufacture different bulk vaccines in parallel. All of this with the strategic aim to be a best-in-class vaccine manufacturer.

Key strategic activities and milestones in 2020 include:

- Complete the qualification and validation of the newly built fill and finish facility
- Commence investment in expansion of vaccine bulk manufacturing
- Commence the manufacturing technology transfer of Rabipur/RabAvert and Encepur.

The mid- to long term goals are to: (i) establish Bavarian Nordic capabilities to fill and finish liquid and freeze-dried products, (ii) expand bulk manufacturing to introduce new technologies and manufacture multiple products in parallel, and (iii) to successfully complete the transfer of the manufacturing of Rabipur/RabAvert and Encepur from GSK, in order to deliver on the anticipated synergies of the transaction.

### *7.5 Medium-term targets*

While the commercial market for JYNNEOS is still in the establishing phase, Rabipur/RabAvert and Encepur are mature products with established markets, which are expected to deliver low- to mid-single-digit annual sales growth and mid- to high-single-digit annual sales growth, respectively.

The operating profit margin (EBITDA), excluding non-recurring transition costs, from the combined business from the acquired vaccines Rabipur/RabAvert and Encepur are expected to increase gradually from 30-40% during the transition period 2020-2024 to above 50% upon full transition in 2025. Non-recurring transition costs in 2020 are anticipated to impact EBITDA by approximately DKK 75 million related to Rabipur/RabAvert and Encepur.

From 2025, Bavarian Nordic targets, on a normalized basis, to deliver strong cash generation and profitability in line with the relevant vaccine peer group average.

For further information, including a reconciliation of the non-IFRS financial measure presented in this Prospectus to the nearest IFRS measure, see section 9.9, "*Non-IFRS financial measure*".

*The statements set forth above constitute forward-looking statements and are not guarantees of future financial performance. Bavarian Nordic's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to changes in the market landscape, the competitive situation, the regulatory framework in which Bavarian Nordic operates, technology changes or other changes outside of Bavarian Nordic's control and such other changes as described in section 1, "Risk factors" and section 4.2, "Special notice regarding forward-looking statements" and investors are urged not to place undue reliance on any of the statements set forth above.*

For information on Bavarian Nordic's financial projections for the financial year 2020, see section 10, "*Consolidated Prospective Financial Information*".

### *7.6 Overview of MVA-BN technology*

A core component of Bavarian Nordic's live virus vaccine platform is the MVA-BN technology, the Company's proprietary and patented vaccine technology. Bavarian Nordic's intellectual property estate, technical know-how and expertise help to secure Bavarian Nordic's leading position in poxvirus vaccine development. To develop the MVA-BN vector, Bavarian Nordic created a further attenuated version of the MVA virus that was used to pre-vaccinate more than 120,000 individuals against smallpox in Germany in the 1970s. While Bavarian Nordic has shown that MVA-BN fails to replicate in numerous human cell lines

and is safe in highly immune compromised mice, other public sources of MVA replicate in one or more human cell lines and have led to the death of severely immune compromised mice. MVA-BN is approved in the United States as a vaccine against smallpox and monkeypox under the trade name JYNNEOS and as a smallpox vaccine in Europe and Canada under the trade names IMVANEX and IMVAMUNE, respectively.

Besides being used as a vaccine against smallpox and monkeypox, MVA-BN could be employed as a vaccine for other diseases as well. MVA-BN has a large double-stranded DNA genome capable of incorporating multiple long and complex antigens. In contrast to various other vector systems, MVA-BN can be engineered to stably incorporate antigens of whole pathogen families. This has been demonstrated with Bavarian Nordic's MVA-BN Filo (tested together with an adenovirus from Janssen in various Phase 1, 2 and 3 trials); which encodes for immune protecting entities of Marburg virus and two different Ebolavirus strains, thus inducing immune responses against the deadliest forms of filoviruses. Another example is an MVA-BN encoding for multiple antigens from Western-, Eastern- and Venezuelan Equine Encephalitis Virus (currently in Phase 1 trial).

MVA-BN has also been employed to design a vaccine against RSV. MVA-BN RSV contains five different antigens covering the two major serotypes of RSV and inducing wide antibody and T-cell responses against its inserts. Indeed, immune responses to all antigenic components have been shown in various preclinical models and in Phase 1 and Phase 2 trials in the clinic.

The inability to replicate in human cells and the favorable safety profile of MVA-BN in severely immune compromised animals makes MVA-BN a highly attractive vaccine candidate, particularly for high risk populations, such as young children, immune compromised and elderly, who all have weakened and/or immature immune systems. MVA-BN has been shown to have a favorable safety profile in more than 7,800 people, which includes more than 1,000 immune compromised individuals, such as HIV infected subjects. This safety profile and the high T-cell inducing capacity also allows to employ recombinant MVA-BN vaccines for tumor therapy via unconventional routes, such as intravenous or intratumoral application. Preclinical experiments demonstrated that highly desired anti-tumor responses can be generated and enhanced by expressing costimulatory molecules such as CD40L besides the tumor targeting antigens. Furthermore, employing MVA-BN's extraordinary capabilities to induce innate and adaptive immune responses enabled the design of novel promising tumor therapies enhancing current standard of care with newly designed vaccine entities.

As a result, Bavarian Nordic believes the MVA-BN technology is a highly adaptable vaccine technology suitable for addressing a wide variety of infectious diseases and cancers.

## 7.7 Commercial vaccines

The table below sets out an overview of Bavarian Nordic's commercial vaccines.

| Vaccine | Indication | Key Markets |
|---|---|---|
| **JYNNEOS/IMVANEX/IMVAMUNE** *(liquid-frozen)* | Smallpox and Monkeypox* | North America, Europe |
| **Rabipur/RabAvert** | Rabies | North America, Western Europe |
| **Encepur** | European (Western) tick-borne-encephalitis | Western Europe |

* Approval for monkeypox only in USA

With the exception of Rabipur/RabAvert and Encepur, Bavarian Nordic's vaccines are based on the proprietary MVA-BN platform technology that has been investigated in over 60 ongoing or completed clinical studies in more than 15,000 subjects. Importantly, the technical expertise in manufacturing MVA-BN in chick embryo fibroblasts ("**CEF**") cells is central to the synergies that Bavarian Nordic expects to achieve with Rabipur/RabAvert and Encepur when manufactured by Bavarian Nordic. The MVA-BN platform technology is unique in that it has the highest capacity for the insertion of highly replicating genetic information when used as a viral vector compared to all other known viruses. This platform technology, together with Bavarian Nordic's highly technical expertise in the research, development and manufacturing of MVA-BN vaccines have resulted in a compelling pipeline of development projects as well as the marketed vaccine JYNNEOS/IMVANEX/IMVAMUNE.

### 7.7.1 JYNNEOS/IMVANEX/IMVAMUNE

JYNNEOS is the U.S. trade name for MVA-BN, which was approved by the FDA in 2019 for prevention of smallpox and monkeypox. IMVANEX is the trade name for MVA-BN in EU, approved by the EMA in 2013 for prevention of smallpox. The EMA approval covers all countries in the European Economic Area. IMVAMUNE is the trade name for MVA-BN in Canada, approved by Health Canada in 2013 for prevention of smallpox.

#### 7.7.1.1 Smallpox

Smallpox is a contagious, disfiguring and often deadly disease. Naturally occurring smallpox was eradicated worldwide by 1980 as a result of an unprecedented global immunization campaign. Samples of the smallpox virus have been kept for research purposes, which has led to concerns that smallpox could someday be used as a biological warfare agent. The DHS has declared smallpox to be a material threat to national security and CDC classifies smallpox as a category A bioterror agent. Additionally, smallpox has been identified as a high-priority threat by U.S. Public Health Emergency Medical Countermeasures Enterprise ("**PHEMCE**").

Since 2003, Bavarian Nordic has been collaborating with the U.S. Government to develop MVA-BN as a stand-alone non-replicating smallpox vaccine to ensure all adult populations can be protected from smallpox, including people with weakened immune systems or who are at high risk of adverse reactions to traditional smallpox vaccines, which are based on replicating vaccinia virus strains.

In addition, Bavarian Nordic has entered into contracts with governments in Canada and Europe, regarding the sale of its smallpox vaccine.

Typical severe adverse reactions known for replicating vaccinia virus strains, such as myocarditis, encephalitis, generalized vaccinia or eczema vaccinatum, were not observed during the clinical development program of MVA-BN.

In September 2019, the FDA approved MVA-BN (under the trade name JYNNEOS) for prevention of smallpox and monkeypox in adults (18 years and older) who are determined to be at high risk for smallpox or monkeypox infection. JYNNEOS is supplied in a liquid-frozen formulation and is the only approved non-replicating smallpox vaccine in the United States. A full vaccination course requires two doses of the vaccine four weeks apart.

The results of the Phase 3 of Bavarian Nordic's smallpox vaccine have been published in the New England Journal of Medicine, one of the world's leading medical journals. The Phase 3 study compared indicators of efficacy of MVA-BN to ACAM2000®, the FDA approved, replicating smallpox vaccine, and successfully achieved both co-primary endpoints, while also demonstrating an improved safety profile versus ACAM2000. The results demonstrated that peak neutralizing antibodies induced by MVA-BN were statistically higher than those stimulated by ACAM2000 and that primary vaccination with MVA-BN resulted in a highly attenuated take (reduction in lesion size), and in fact prevented the vaccine take in the majority of subjects re-vaccinated with ACAM2000. Importantly, a single dose of MVA-BN induced neutralizing antibody titers comparable with ACAM2000 at Day 14, indicating the potential for use of the vaccine to protect the general population.

Bavarian Nordic has received contracts to-date worth more than USD 1.8 billion for the development and supply of the vaccine. Prior to FDA approval in 2019, Bavarian Nordic had delivered 28 million doses of the vaccine for SNS. The initial requirement for MVA-BN as an unapproved non-replicating smallpox vaccine was 20 million doses to cover 10 million immunocompromised people in the event of an emergency. To cover all immunocompromised populations and their household contacts, the U.S. Government has previously stated a need for 132 million doses to cover 66 million people according to the broad agency announcement by BARDA in 2010. The Company sees an additional sales potential for the vaccine in certain jurisdictions, including the United States, related to military personnel in the range of 3 – 3.5 million doses per year. In addition, development of U.S. Government vaccination guidelines may also lead to increased potential.

MVA-BN, in a liquid-frozen formulation, has also been approved as the only non-replicating smallpox vaccine in Europe (under the trade name IMVANEX) for adults in the general public, and in Canada (under the trade name IMVAMUNE) for use in a public health emergency for adults who are contraindicated to replicating smallpox vaccines. The vaccine is distributed in liquid-frozen formulation suitable for use in people for whom replicating smallpox vaccines are contraindicated.

As part of Bavarian Nordic's contract framework with the U.S. Government, a freeze-dried version of the vaccine is under development. Due to an anticipated longer shelf life than the current liquid-frozen version, Bavarian Nordic believes that its freeze-dried formulation is well positioned to fulfil the U.S. Government's long-term stockpiling requirements for a smallpox vaccine to cover 66 million U.S. citizens.

The initial contract for development of the freeze-dried version was awarded in 2009, and in 2017 Bavarian Nordic was awarded a USD 539 million order for the supply of freeze-dried MVA-BN to the SNS to replace the current stockpile of liquid-frozen vaccines, which has expired. The base contract of USD 100 million relates to the manufacturing of bulk vaccine, which was revenue recognized in 2018 and 2019, in addition to bulk vaccine worth USD 233 million manufactured under previous contracts. The contract further includes options of up to USD 140 million related to the clinical development, regulatory commitments and validation and subsequent approval of the fill and finish facilities. The remaining USD

299 million under the contract relates to the future supply of freeze-dried vaccine doses. The 10-year contract also contains agreed pricing for additional bulk and final doses of both liquid-frozen and freeze-dried formulation of the vaccine.

Bavarian Nordic has full sales and marketing rights for the smallpox vaccines worldwide.

#### *7.7.1.2 Monkeypox*

Monkeypox is a rare viral zoonotic disease (transmission from animals to humans) similar to human smallpox, whose causative agent, variola virus, is also a member of the Orthopoxvirus genus. However, monkeypox infection is less transmissible human-to-human than smallpox and also less deadly (case fatality estimates for monkeypox are up to 10% according to the CDC).

Until recently, infections of monkeypox in humans had mostly been limited to central and western regions of Africa, where the virus is naturally occurring. However, during the ongoing monkeypox outbreak in Nigeria, increased human-to-human transmission has been observed and the wide geographic spread, predominantly in urban areas, has raised concerns about the disease.

The approval of JYNNEOS for monkeypox in the United States offers a new opportunity for the protection of those at high risk for exposure to this emerging infectious disease. Potential recipients of the vaccine would be travelers to central and western Africa, including the highly populated and economically improving country of Nigeria where at least 180 cases have been confirmed since 2017 (according to the Nigeria monkeypox monthly situation report from November 2019 issued by the Nigeria Centre for Disease Control). In the same period, it is documented that only 10% of cases of monkeypox had any history of animal contact. During 2018 and 2019, five cases were reported, where patients had contracted the disease in Nigeria and subsequently travelled to their home countries before symptoms began (three cases in the United Kingdom, one case in Israel and one case in Singapore) (source WHO). One patient in the United Kingdom transmitted the infection to a healthcare worker in the hospital while undergoing treatment (source CDC). Despite these cases, there is a critical lack of awareness about the nature of the disease, its transmissibility and the potential risks of contracting monkeypox.

JYNNEOS is the only approved monkeypox vaccine anywhere in the world.

The understanding of the epidemiology of monkeypox is still evolving on a worldwide level. Bavarian Nordic is the first to have a vaccine available for this indication and intends to facilitate awareness of the disease with key stakeholders involved in the protection against emerging infectious diseases. The Company estimates the peak sales potential of JYNNEOS for monkeypox to be around USD 65 million per year.

### *7.7.2 Rabipur/RabAvert*

Rabies is a viral infection transmitted via the saliva of infected mammals. The virus enters the central nervous system of the host, causing an encephalomyelitis that is almost invariably fatal. The incubation period for rabies is typically 2-3 months but may vary from 1 week to 1 year.

Each year, rabies causes approximately 59,000 deaths worldwide according to the CDC. Bavarian Nordic estimates that most incidents occur in non-developed markets where Bavarian Nordic does not market its vaccine. Despite evidence that control of canine rabies through animal vaccination programs and elimination of stray dogs can reduce the incidence of human rabies, canine rabies remains common in many countries and exposure to rabid dogs is still the cause of over 90% of human exposures to rabies and of 99% of human rabies deaths worldwide according to the CDC.

Trends in both human and animal rabies in the United States have changed dramatically over the last century. Approximately 5,000 animal rabies cases are reported annually to CDC, and more than 90% of those cases now occur in wildlife. The principal rabies hosts in the United States today include bats, raccoons, skunks, and foxes (source CDC).

The number of rabies-related human deaths in the United States has also declined, from more than 100 annually in the early 1900's to just one or two per year. This decline can be attributed to successful pet vaccination programs and availability of post-exposure prophylaxis for rabies. The CDC estimates that approximately 55,000 people are treated in the United States each year for potential rabies exposure.

In Western countries, human fatalities associated with rabies typically occur in people who fail to seek medical assistance, usually because they were unaware of their exposure. This is particularly common with bat bites, which are small and thus easy to overlook.

Rabipur/RabAvert is a purified chick embryo cell culture rabies vaccine and is indicated for active immunization against rabies. The vaccine is approved for both pre-exposure prophylaxis and post-exposure prophylaxis and is administered by either intramuscular or intradermal injection. When used prophylactically, the recommended treatment course includes three doses, whereas the recommended post-exposure treatment includes five doses of the vaccine. Bavarian Nordic assesses that in the EU, the vaccine is given pre-exposure (prophylactically) in approximately 90% of cases, whereas in the United States, it is given post-exposure (or for risk of exposure) in approximately 95% of cases. Rabipur/RabAvert is a sterile and freeze-dried vaccine for both pre-exposure and post-exposure vaccination in all age groups. Rabipur/RabAvert is nearly 100% effective even when given post-exposure according the FDA.

Although the number of competing vaccines for Rabipur/RabAvert is limited, the markets where Rabipur/RabAvert are marketed and sold are quite competitive. Rabipur/RabAvert is the market leading rabies vaccine within the United States and Germany, representing the key markets or approximately 80% of the vaccine's total revenue. GSK has informed that total GSK sales of Rabipur/RabAvert in 2019 were EUR 129 million (excluding the Specified Territories as described in section 18.1.1, "*Asset purchase agreement*").

### *7.7.3 Encepur*

TBE is a human viral infectious disease involving the central nervous system that can lead to death or long-term neurological sequelae after recovery from infection. TBE is transmitted to humans by the bite of an infected tick. Three virus sub-types are described (i) European or Western TBE virus, (ii) Siberian TBE virus, and (iii) Far Eastern TBE virus. The incubation period of TBE is usually between 7 and 14 days and is asymptomatic. Shorter incubation times have been reported after milk-borne exposure. Approximately one-third of infected persons subsequently develop neurological conditions, ranging from mild meningitis to severe encephalitis.

The incidence varies from year to year, but approximately 5,000–13,000 TBE cases are reported each year according to the CDC. Russia has the largest number of reported cases. The highest disease incidence has been reported from Western Siberia, Slovenia, and the Baltic States (Estonia, Latvia, Lithuania).

Most cases occur when ticks are active from April through November, with peaks in early and late summer. The incidence and severity of the disease are highest in people aged 50 years or older. Most cases occur in areas of altitude below 750 meters. In the last 30 years, the geographic range of TBE virus appears to have expanded to new areas, and the virus has been found at altitudes up to and above 1,500 meters. These trends are likely due to a complex combination of changes in diagnosis and surveillance, human activities and socioeconomic factors, and ecology and climate.

Encepur contains inactivated TBE virus strain K23, in a liquid suspension formulated with aluminum hydroxide adjuvant. The vaccine is approved for pre-exposure prophylaxis against the European (Western) TBE virus for both adults and children. Encepur is intended for the protection against the onset of TBE disease for individuals who are exposed to infected ticks in areas endemic to TBE. The recommended treatment course includes three doses over a month or a year with a booster dose after three years and then every five years. Encepur is approved in Austria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, Sweden and Switzerland. Encepur has not been submitted for approval in the United States as TBE is not prevalent in the region.

Encepur has a #2 position in most major European markets, with Germany and Sweden representing the key markets and accounting for approximately 75% of the vaccine's total revenue. GSK has informed that total GSK sales of Encepur in 2019 were EUR 71 million.

## 7.8 Clinical pipeline

| Vaccine | Indication | Phase 1 | Phase 2 | Phase 3 | Status / Milestone |
|---|---|---|---|---|---|
| ***Infectious Diseases*** | | | | | |
| MVA-BN (freeze-dried) | Smallpox | | | | Phase 3 – lot-consistency study ongoing with anticipated comletion in 2021 |
| MVA-BN RSV | RSV | | | | Phase 3 – planned to initiate in 2021. Initial data read-out in 2022 |
| MVA-BN Filo | Ebola | | | | Licensed to Janssen. Janssen has filed MAA in Europe with potential approval in 2020 |
| MVA-BN WEV | Equine encephalitis | | | | Phase 1 – dose finding study of equine encephalitis virus vaccine ongoing, topline results anticipated in 2020 |
| MVA-BN HPV | HPV | | | | Licensed to Janssen. Phase 1/2a study ongoing |
| ***Cancer Immunotherapy*** | | | | | |
| BN-Brachyury | Chordoma | | | | Report initial ORR results from Ph2 study of BNBrachyury in chordoma during 2020 |
| CV301 | Solid tumors | | | | Several investigator-sponsored studies ongoing in bladder, colorectal and pancreatic cancer |

Bavarian Nordic's clinical pipeline comprises multiple product candidates addressing unmet needs in infectious diseases and cancer. Many of Bavarian Nordic's programs are supported by external funding through either corporate or governmental partnerships.

### 7.8.1 Infectious diseases

#### 7.8.1.1 Smallpox – MVA-BN freeze-dried

For a description of smallpox, see section 7.7.1.1, "*Smallpox*". As part of Bavarian Nordic's contract framework with BARDA to develop and manufacture MVA-BN smallpox vaccine, a freeze-dried version of the vaccine is under development, which is expected to offer improved shelf life, compared to the liquid-frozen version. The initial contract for development of the freeze-dried version was awarded in 2009 and most recently, in 2017, Bavarian Nordic was awarded a USD 539 million order for the supply of freeze-dried MVA-BN to the SNS to replace the current stockpile of liquid-frozen vaccines, which has expired. For a description of the contract with the U.S. Government, see section 7.7.1.1, "*Smallpox*".

Part of the order will ensure the completion of development of the vaccine, including a Phase 3 study, with the purpose of extending the current approval of the liquid-frozen version to cover both formulations of the vaccine. Also, funds are dedicated to the transfer and validation of the freeze-drying manufacturing process to the fill and finish facility at Kvistgaard.

The Phase 3 study is a randomized, double-blind, multicenter trial to evaluate the immunogenicity and safety of three consecutive vaccine lots of the freeze-dried formulation of MVA-BN, similar to the prior completed Phase 3 study for the liquid-frozen MVA-BN formulation.

A prior Phase 2 study showed bioequivalence between the freeze-dried and liquid-frozen formulations of MVA-BN, and the lot-consistency trial was agreed with the FDA as the only Phase 3 study required to support licensure of the freeze-dried formulation.

The Phase 3 study was initiated in June 2019 and by November 11, 2019, all 1,110 subjects had been enrolled. Upon completion of the study, expected in 2021, Bavarian Nordic intends to submit a supplement to the biologics license application ("**BLA**") to extend the approval for both formulations of MVA-BN anticipated in 2022.

#### 7.8.1.2 RSV – MVA-BN RSV

RSV is a common virus that usually causes mild, cold-like symptoms, but in serious cases can cause severe lung infections, including bronchiolitis and pneumonia. Those at risk are typically young infants and the elderly as well as people with weakened immune systems. Bavarian Nordic's product candidate is being developed for an elderly population. RSV-induced infections result in a similar number of hospitalizations and deaths in the elderly population, as influenza. According to the CDC, approximately 177,000 elderly U.S. citizens are hospitalized annually, due to RSV-induced infections, and about 14,000 of them die. With no approved vaccines, RSV remains a high unmet medical need, particularly in children and the elderly.

MVA-BN RSV is Bavarian Nordic's product candidate for the prevention of RSV that incorporates five different RSV antigens to stimulate a broad immune response against both RSV subtypes (A and B), thus mimicking the immune response observed following a natural response to an RSV infection. The incorporation of five antigens differentiates MVA-BN RSV from any other RSV vaccine candidates in development.

Bavarian Nordic has advanced the clinical development of the vaccine and has generated highly promising Phase 2 results, confirming both broad and durable antibody and T-cell responses against RSV, as well as mucosal immune responses that may be important for protection against RSV.

The Phase 2 program in elderly included a revaccination of subjects after one year, following which the immune responses were rapidly and significantly increased, notably in subjects with the weakest immunity prior to the booster vaccination.

In 2019, Bavarian Nordic reached an agreement with FDA on the design of a Phase 3 efficacy trial for MVA-BN RSV in an elderly population (60 years old or older). The trial will be a randomized, placebo-controlled study, with a total of 12,000 to 14,000 subjects over two seasons. The total number of subjects will depend on the independent analysis performed from the first 6,000 subjects enrolled for the first season. The estimated costs to determine futility after season one will be approximately USD 40 million and if positive, the second season is estimated to cost an additional USD 50-70 million, although after passing the first season threshold there would be approximately 75% chance of successfully reaching the efficacy endpoint of the trial. The trial is planned to be initiated in 2021 prior to the RSV season, with the initial read out in 2022 and a potential approval in 2024.

Currently, there is no RSV vaccine candidate in Phase 3 development targeting an elderly population.

#### *7.8.1.3 Ebola – MVA-BN Filo*

Ebola virus disease causes severe hemorrhagic fever in humans, often leading to death. The virus is transmitted to people from wild animals and spreads in the population through human-to-human transmission. Mortality rates in historical outbreaks have ranged from 25% to 90% of the infected subjects according to the World Health Organization (the "**WHO**"). In the 2014-2016 outbreak in West Africa, more than 28,000 people were infected of which approximately 40% died according to the WHO, and in the ongoing outbreak in the Democratic Republic of Congo, more than 3,000 cases have been confirmed with a mortality rate almost of 65% (as of December 13, 2019 according to the WHO).

MVA-BN Filo is a multivalent vaccine candidate designed to provide protection against the most common causes of viral hemorrhagic fever; Ebola and Marburg virus. While several sub-types of Ebola are known, Bavarian Nordic's vaccine is targeting the Zaire and Sudan strains, which have been and still are the predominant causes of all major Ebola outbreaks during the past 40 years.

The initial development of the MVA-BN Filo vaccine was sponsored by the NIH, and is now managed by Janssen, which licensed MVA-BN Filo from Bavarian Nordic in 2014 for use in a prime-boost vaccine regimen together with their monovalent adenovirus–based vaccine candidate, Ad26.ZEBOV, targeting the Ebola Zaire strain.

Clinical results so far reported indicate that Ad26.ZEBOV prime immunization readily induces an immune response that is enhanced further by MVA-BN-Filo boosting, inducing a durable immunity to Ebola Zaire, and that both the prime and boost vaccine are well tolerated with a good safety profile. The Ad26.ZEBOV/MVA-BN Filo vaccine is the most advanced currently in clinical testing following the recent approval of Merck's Ervebo® vaccine by the FDA and EMA.

Janssen has rapidly advanced the development of the vaccine and has conducted multiple clinical Phase 1, 2 and 3 trials to evaluate the safety and immunogenicity of the vaccine regimen in adults and children. To date, more than 8,000 volunteers across the United States, Europe and Africa have participated in over 10 clinical studies of the vaccine.

Based on data from these studies, as well as preclinical studies, and immune bridging analyses, Janssen submitted a marketing authorization application for both vaccines employed in the vaccine regimen (Ad26.ZEBOV and MVA-BN Filo) to the EMA in November 2019, seeking approval of the vaccine for

protection against the Zaire ebolavirus, which is the strain of the Ebola virus responsible for both the outbreak in West Africa in 2014-2016 and the current outbreak in the Democratic Republic of Congo. If approved, the vaccine regimen would be only the second Ebola vaccine to obtain regulatory approval in the EEA.

Upon EMA approval of the MVA-BN Filo vaccine, Bavarian Nordic would be eligible to receive a milestone payment of USD 10 million under the license agreement with Janssen. As of December 31, 2019, Bavarian Nordic has received DKK 1,079 million from the collaboration with Janssen (Ebola, HPV, HIV and HBV).

Janssen also has ongoing discussions with the FDA to define the required data set for filing of the Ebola vaccine regimen under the FDA's Animal Rule licensure pathway and is also working in collaboration with the WHO to enable registration of the Ebola vaccine regimen in African countries.

As part of the agreement entered with Janssen in 2014, Bavarian Nordic manufactured approximately 2 million doses of MVA-BN Filo and the Company estimates that Janssen has maintained a stockpile of 1.5 million doses of the vaccine regimen.

In October 2019, Janssen announced the donation of up to 500,000 regimens of the vaccine to the Democratic Republic of Congo for use in a new clinical trial organized by the government of the Democratic Republic of Congo ("**DRC**") and global health stakeholders in an effort to contain the country's Ebola outbreak, and in December 2019, Janssen announced a donation of up to 200,000 doses to the Republic of Rwanda to support a new immunization program led by the Rwanda government with an aim to protect the citizens of Rwanda from the current Ebola outbreak in the DRC, which is a neighboring country.

Use of the stockpile or any additional sale of vaccines to countries eligible to apply for vaccine support to GAVI – The Vaccine Alliance does not entitle Bavarian Nordic to any royalties. In case of approval of the vaccine, Bavarian Nordic would be entitled to royalties on sales to countries not eligible for GAVI support.

#### *7.8.1.4 Equine encephalitis – MVA-BN WEV*

Western, Eastern and Venezuelan equine encephalitis viruses vary in infection rates and severity of disease, although all three pathogens are associated with risks of flu-like symptoms, potential central nervous disorders, and death. The virus is spread by mosquitos to humans and can result in the rare condition of encephalitis in about 5% of the people that become infected. In the United States, an increase in cases of Eastern equine encephalitis, known also as Triple E, has been reported over the past years, and as of December 17, 2019, 38 cases, including 15 deaths were reported by the CDC in what is the largest ever recorded outbreak of Triple E (source CDC). There are currently no approved vaccines against any of the equine encephalitis viruses.

In March 2018, Bavarian Nordic entered a multi-year contract valued at up to USD 36 million with the DOD Joint Project Manager for Chemical, Biological, Radiation, and Nuclear Medical ("**JPM CBRN Medical**") to develop MVA-BN WEV, a vaccine against all three strains of the equine encephalitis virus. Under this contract, Bavarian Nordic is conducting a Phase 1 clinical trial, which was initiated in October 2019.

The Phase 1 trial will evaluate the safety, tolerability and immunogenicity of MVA-BN WEV in 45 healthy adults in three treatment groups receiving different doses of the vaccine. Topline results from the study are expected to become available in 2020.

A successful Phase 1 trial, based on demonstrating a favorable safety and immunogenicity could lead to follow-on funding, beyond the initial contract award of USD 36 million, to support further preclinical, clinical development and manufacturing to support licensure in the United States.

#### *7.8.1.5 Human papillomavirus – MVA-BN HPV*

Under the license and collaboration agreement with Janssen, Bavarian Nordic has the potential to advance the development of its MVA-BN platform technology in three infectious disease indications: (i) HPV, (ii) HIV and (iii) HBV.

Like the Ebola vaccine, the MVA-BN product candidates are anticipated to be used in prime-boost vaccine regimens with Janssen's AdVac technology to develop therapeutic vaccines for those already infected with these viruses, with the aim to provide a functional cure.

While the HPV vaccine is currently being evaluated in a Phase 1/2a clinical trial, the HIV and HBV vaccines are being evaluated preclinically. For a description of the license and collaboration agreements with Janssen see section 18.7, "*Other collaboration and license agreements*". As of December 31, 2019, Bavarian Nordic has received DKK 1,079 million from the collaboration with Janssen (Ebola, HPV, HIV and HBV).

Bavarian Nordic has developed and manufactured the MVA-BN-based vaccine constructs for clinical and preclinical evaluation, and Janssen is solely responsible for the further clinical development of these programs, also depending on an overall prioritization of their pipeline. Collectively, these programs, along with the Ebola collaboration with Janssen, represent USD 1 billion in potential future milestone payments, in addition to royalties on future sales. Milestone payments are primarily related to a successful completion of each Phase 3 study and subsequent regulatory approval and commercialization.

### *7.8.2 Cancer immunotherapy*

Bavarian Nordic is leveraging its MVA-BN platform technology to advance its next generation of immuno-oncology candidates. The Company aims to activate a targeted immune response, arming the body's own immune system to seek and destroy cancer cells.

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

Bavarian Nordic's strategy is to incorporate as many of these tools as possible in order to produce safe, potent and sustained anticancer activity in common and rare solid tumors. This strategy leverages the Company's experience with prior product candidates, which have been extensively studied in various tumor types and continue to provide important learnings through a number of investigator-sponsored studies. These mainly include studies evaluating the MVA-BN-based candidate, CV301, in combination with checkpoint inhibitors. While the CV301 project has been fully written down, Bavarian Nordic continues to follow and support the ongoing studies.

The evolution of Bavarian Nordic's immuno-oncology platform has expanded into developing innovative delivery methods for its drug candidates. Intra-tumoral (directly into the tumor) injections and intravenous administrations are promising approaches that stand to utilize broader aspects of the immune response while improving T cell activation and function. Clinical trials evaluating both of these new approaches have been initiated in early 2020.

#### 7.8.2.1 Chordoma – BN-Brachyury

Chordoma is a rare tumor that forms in the spine and base of the skull.

It develops from a type of cell inside the bone called notochordal cells. During embryonic development, these cells make up an important structure, which is essentially the scaffolding on which the bones of the spine develop. In about 20% of the population they continue growing very slowly throughout one's life and form small harmless tumors in the spine called benign notochoprdal cell tumors ("**BNCTs**"). Very rarely one of these BNCTs becomes cancerous and turns into a malignant tumor, which is called a chordoma.

The overall disease incidence of chordoma is low with 1,000 new cases reported in the United States and E.U. annually according to the Chordoma Foundation, and the Company estimates that 10,000 people in the United States and E.U. are living with the disease. There is no approved drug for the treatment of chordoma, and patients are truly limited in their options to control the disease, particularly in the advanced stage. Current treatments have resulted in limited success against chordoma, with a historical objective response rate of less than 5% with radiation alone.

Bavarian Nordic's immuno-oncology candidate, BN-Brachyury, targets a key prognostic indicator of several common (e.g. colorectal, prostate, small cell lung, and triple negative breast cancer) and rare or orphan (e.g. chordoma, thyroid, neuroendocrine) cancers. Brachyury is a transcription factor that is believed to play a prominent role in the metastasis and progression of tumors. Expression of brachyury is highly correlated with metastatic disease, poor overall survival, multi-drug resistance, and decreased survival rates. BN-Brachyury utilizes a prime-boost vaccination regimen that has been optimized to include the gene for brachyury and other molecules known to increase immune activation. Patients will receive a primer of MVA-BN Brachyury followed by booster doses of the recombinant fowlpox virus. A previous Phase 1 trial demonstrated that MVA-BN-Brachyury could safely target brachyury and induce brachyury-specific T-cell immune responses.

BN-Brachyury has received orphan drug status from the FDA in the treatment of chordoma. The orphan drug designation supports the development of medicines for safe and effective treatment, diagnosis or prevention of rare diseases or disorders that affect fewer than 200,000 people in the U.S. Orphan drug designation may provide certain benefits, including a seven-year period of market exclusivity if the drug is approved, tax credits for qualified clinical trials and an exemption from FDA application fees.

In October 2019, the Company completed the enrollment of a Phase 2 trial investigating BN-Brachyury in combination with radiation therapy for the treatment of advanced chordoma. Bavarian Nordic assesses that there is potential to obtain a breakthrough therapy designation from the FDA for BN-Brachyury.

A total of 29 patients were enrolled, 19 of which have been enrolled in the second stage of the trial, which was opened in June 2019 after the confirmation of a partial response in the first stage. The overall goal of the study is to achieve four patients with objective responses, corresponding to an ORR of approximately 14% for all patients enrolled. All patients continue to be treated and evaluated for responses, and final results from the study are anticipated in 2020.

### 7.9 Sales and distribution

Historically, Bavarian Nordic's sales and distribution efforts have primarily been directed at ministries of defense and health responsible for the procurement and maintenance of national vaccine stockpiles. These efforts require only a small sales organization which, in combination with local and regional agents and distributors, have managed the sale and distribution of JYNNEOS/IMVANEX/IMVAMUNE smallpox vaccine.

Due to the Acquisition of the commercial vaccines Rabipur/RabAvert and Encepur as well as the expanded label for JYNNEOS to include monkeypox, Bavarian Nordic is undergoing a substantial expansion of the commercial organization to ensure the successful commercialization by Bavarian Nordic of these vaccines. Bavarian Nordic has different go-to-market strategies around sales and distribution of Rabipur/RabAvert, Encepur and JYNNEOS for different countries and markets. For some countries, including the largest value markets such as the United States and Germany, all sales and distribution activities are planned to be fully integrated into Bavarian Nordic's business. For other counties, some sales and/or distribution activities may be contracted to a third-party. Finally, there may be certain countries where the product(s) may be out-licensed. The different go-to-market strategies are planned to be fully implemented by the time of market authorization handover in the respective markets, which is planned to occur during 2020. Bavarian Nordic expects the transfer of the distribution to be completed during 2021. To realize these plans, a substantial expansion of internal capabilities (corresponding to an end goal of approximately 50-75 full time employees, of which the Company as of March 1, 2020 had hired 7) will be required to be implemented to include field-based roles including sales personnel, key account managers and medical scientific liaisons to be located at a few offices across Europe, as well as management and supporting roles for these functions to be based at a new office in Switzerland and in the United States.

To the extent that MVA-BN Filo, HPV, HIV and/or HBV receives approval by the applicable regulatory agencies for marketing and distribution, Janssen will be responsible for the sales and distribution of those products.

### *7.9.1 Customers*

#### *7.9.1.1 JYNNEOS/IMVANEX/IMVAMUNE (smallpox)*

Historically, JYNNEOS/IMVANEX/IMVAMUNE has been sold as an unapproved vaccine to governments for emergency stockpiling. The vast majority of sales have occurred in the United States that, along with Canada, have placed recurring orders for the vaccine. Bavarian Nordic has also sold the vaccine to other governments in Europe and Asia. With the recent FDA approval of the vaccine, the Company anticipates expanding its sales of the vaccine to address current requirements for active vaccination of military and healthcare personnel in the United States, while also continuing to supply vaccines for stockpiling.

#### *7.9.1.2 JYNNEOS (monkeypox)*

With the expanded label for JYNNEOS for protection against monkeypox, additional customers are foreseen. Monkeypox is an emerging infectious disease in Western and Central Africa. Approximately 5 million people travel to countries that have reported human cases of monkeypox (source World Bank Group). Therefore, travelers to these regions, either for business or leisure, would potentially receive the vaccine. These would likely be provided by a travel vaccination clinic or potentially through an employer's occupational health service and accordingly, Bavarian Nordic's customers for the monkeypox vaccine are anticipated primarily to be clinics offering travel vaccines.

#### *7.9.1.3 Rabipur/RabAvert (rabies)*

The market for Rabipur/RabAvert varies by region. Bavarian Nordic assesses that in the EU, the vaccine is given pre-exposure (prophylactically) in approximately 90% of cases, whereas in the United States, it is given post-exposure (or for risk of exposure) in approximately 95% of cases. In the United States, every 10 minutes a person receives a post-exposure rabies vaccination after a suspicious animal bite according to the CDC.

The pre-exposure market is typically represented by travel clinics in Western markets (which accordingly make up an important customer group for Bavarian Nordic), offering vaccines for travelers to countries in the world where rabies is endemic, such as Thailand, Philippines, etc. Bavarian Nordic assesses that the pre-exposure vaccination continues to be underutilized, particular for travelers to endemic regions. The exposure there would primarily be from dog bites, and many travelers understand the value in getting the vaccine before travelling to remove the risk of infection. Pre-exposure vaccinations also occur in professionals who handle animals on a regular basis such as veterinarians, dog handlers, etc.

In Western markets, post-exposure vaccinations are typically handled by hospital emergency rooms or the like, when rabies is suspected after bites from animals that could carry the disease, such as racoons or bats and accordingly hospitals make up another customer group for Bavarian Nordic with respect to Rabipur/RabAvert.

#### *7.9.1.4 Encepur (European (Western) tick-borne encephalitis)*

Encepur would most often be provided by general practitioners, pediatricians or vaccination clinics for people living in regions around Europe with high or increasing clinical cases of European (Western) TBE, but in some cases also for those who travel to those regions and plan to have outside activities that would increase the risk of contact with ticks and accordingly, Bavarian Nordic's sales of Encepur occur to such general practitioners, pediatricians and vaccination clinics.

### *7.9.2 Suppliers*

A number of raw materials and sterile single-use devices are used to produce Bavarian Nordic's vaccines and product candidates. Some of the raw materials are biosimilar materials that are also used by other pharmaceutical producers, while others are produced specifically for Bavarian Nordic's use, either due to special quality requirements or to the packaging in which they are supplied. The sterile single-use devices are predominantly custom-made for Bavarian Nordic.

To the extent possible, Bavarian Nordic aims to have at least two suppliers of critical raw materials. When this is not possible, the aim is for the raw materials to be produced by an alternative supplier, at some delay, if the primary supplier should fail to deliver. If a primary supplier fails to deliver or delivers less of a critical raw material than agreed, it will typically take three to six months before an alternative supplier will be able to supply raw materials of the same quality. Consequently, supplier failure may cause manufacturing delays. Where possible, Bavarian Nordic seeks to safeguard against this risk by maintaining adequate safety stock of raw material.

Bavarian Nordic's most critical raw material is SPF eggs, which are laid by selected chicken strains that are kept disease-free and un-vaccinated. The chicken flock is regularly examined for a number of micro-biological diseases that may be caused by virus, virus bacteria or other microorganisms. The production, shipment, receipt and examination of such SPF eggs is subject to European pharmaceutical legislation. On a global basis, very few egg producers comply with the special SPF requirements. Bavarian Nordic works with the two main global suppliers, both operating chicken farms in the United States and Europe. In order to further reduce the risk of manufacturing delays or stops in case of infections in the stock of chicken, Bavarian Nordic uses eggs from different chicken flocks and farms from the suppliers. Eggs from different flocks are used from one manufacturing day to the next in order to reduce the risk of losing a product in case of infection in a given flock. The current SPF egg supply agreements runs until December 31, 2023 and are terminable by both parties with 6 months' notice.

The integration of Rabipur/RabAvert and Encepur into Bavarian Nordic's existing business is planned to occur over a five-year period and until the integration has been completed, GSK will supply Bavarian Nordic with Rabipur/RabAvert and Encepur under the manufacturing and supply agreement described in section 18.1.3 "*Manufacturing and supply agreement*".

There is an overlap in the supplier base used for the current manufacturing of Rabipur/RabAvert and Encepur and Bavarian Nordic's other vaccines and product candidates. A key aspect is the use of SPF eggs, as both Rabipur/RabAvert and Encepur currently being produced by GSK use the same type of eggs from the same suppliers as Bavarian Nordic. This means that upon manufacturing moving to Bavarian Nordic of Rabipur/RabAvert and Encepur and assuming the current supplier-overlap will continue until such time, for the majority of the raw materials needed for the manufacturing of Rabipur/RabAvert and Encepur, Bavarian Nordic will be able to add to existing supplier collaborations or adjust existing forecasts.

## 7.10 Business partners

For a description of the agreements with business partners see section 7.14.5, "*License agreements*", section 18.3, "*Collaboration and license agreement with Janssen regarding MVA-BN Filo*", section 18.7.1, "*Collaboration and license agreement with Janssen regarding MVA-BN HPV*" and section 18.4, "*Vaccine development contract with BARDA regarding MVA-BN smallpox vaccine (freeze-dried)*".

## 7.11 Manufacturing facility

Bavarian Nordic acquired its manufacturing plant in Kvistgaard, Denmark in 2004 and recently completed the construction of a new fill and finish facility at the same site, which, once fully qualified and validated, together with the existing manufacturing capabilities will enable Bavarian Nordic to control the entire value chain. For a description of the fill and finish facility see section 7.11.2, "*Fill and finish facility*". In addition, Bavarian Nordic is investing in an additional bulk production, which will significantly increase the capacity and flexibility of the manufacturing facility, by allowing multiple products to be manufactured in parallel.

These expansions significantly reduce Bavarian Nordic's dependency on third-party contract manufacturing of which only limited expertise and capacity is available worldwide with respect to vaccines based on live viruses, and will establish Bavarian Nordic as one of the world's only independent manufacturers of live virus vaccines manufacturers with the ability to produce a variety of vaccines, including potentially offering its manufacturing services to third parties.

### 7.11.1 Bulk manufacturing

Bavarian Nordic's manufacturing facility was initially established as a single bulk product facility and following an extension in 2015, the facility now supports the manufacturing of multiple products (bulk drug substance and small-scale final drug product) on a campaign basis. This includes clinical trial manufacturing of drug substance and drug product and commercial manufacturing of JYNNEOS/IMVANEX/IMVAMUNE drug substance to United States, Europe and Canada. The manufacturing facility has frequently been inspected by the Danish Medicines Agency to maintain the EEA manufacturing approvals and has also been successfully inspected by the FDA (most recently in 2019) and other U.S. agencies (NIH, BARDA) and national authorities (Health Canada), as part of the regulatory approvals in the EU, United States and Canada (with respect to JYNNEOS/IMVANEX/ IMVAMUNE). As of December 31, 2019, Bavarian Nordic had produced and delivered 28 million doses of liquid-frozen JYNNEOS as well as bulk product for future filling of freeze-dried JYNNEOS doses, in addition to 2 million doses of MVA-BN Filo for Ebola.

Historically, the formulation and filling of vaccines has been performed by a contract manufacturer. However, to ensure full control of the manufacturing process, Bavarian Nordic has invested in a fill and finish facility, as an extension to the existing manufacturing building. See section 7.11.2, "*Fill and finish facility*".

As part of the Acquisition of Rabipur/RabAvert and Encepur from GSK, Bavarian Nordic has decided to invest in expanding the vaccine bulk manufacturing, which will significantly increase the capacity and flexibility of the existing multi-purpose manufacturing facility. In addition to increase the overall manufacturing footprint, it will also allow Bavarian Nordic to produce multiple products at the same time, as the new suite will be operating completely independent from the current manufacturing building, which will house Rabipur/RabAvert and Encepur. On top of housing current manufacturing technologies used by Bavarian Nordic for JYNNEOS/IMVANEX/IMVAMUNE and the Company's pipeline products, the addition will also enable Bavarian Nordic to bring in new technologies for new products. Bavarian Nordic is currently generating detailed plans for the construction and expects the unit to be fully operational in 2025/2026.

### *7.11.2 Fill and finish facility*

Bavarian Nordic is expanding the manufacturing capabilities at Kvistgaard, initially to insource commercial-scale final drug manufacturing of JYNNEOS/IMVANEX/IMVAMUNE.

The facility expansion will establish a commercial scale multi-product fill and finish facility for liquid and freeze-dried live viral vaccines, i.e. formulation, filling, freeze-drying, terminal sterilization of WFI (solvent for freeze-dried products), inspection and packaging. Once fully operational, the facility is expected to have a capacity of 40 million liquid-frozen and 8 million freeze-dried doses per year. As of December 31, 2019, Bavarian Nordic had produced and delivered 28 million doses of liquid-frozen JYNNEOS/IMVANEX/IMVAMUNE as well as bulk product for future filling of approximately 13 million doses of freeze-dried JYNNEOS/IMVANEX/IMVAMUNE, in addition to 2 million doses of MVA-BN Filo for Ebola.

The design of the facility will support concurrent aseptic manufacturing of up to three different products in the formulation and filling area at the same time within separated closed systems so that one drug substance can be formulated while a second is filled and a third is being freeze-dried. Over time, the facility will assume the fill and finish activities related to JYNNEOS/IMVANEX/IMVAMUNE and Rabipur/RabAvert, whereas Encepur will be filled (in a pre-filled syringe) at a CMO specialized in this type of filling.

Facility design will define a primary containment boundary during routine operation. Primary containment will be achieved via use of closed, disposable formulation and fluid path systems, aseptic barrier closed isolators, closed Restricted Access Barrier Systems ("**cRABS**"), differential pressure control machine enclosures, differential pressure cascades within the isolator/cRABS systems, and closed freeze-dried systems. The new facility is designed to be compliant with BSL1, as well as BSL2/GMO2 to accommodate a variety of genetically modified live viruses.

As of the date of this Prospectus, the construction and operational qualification of the facility and equipment has been completed. JYNNEOS/IMVANEX/IMVAMUNE will be the first vaccine planned to be manufactured in the facility and is scheduled to be transferred into the facility from the current contract manufacturing organization ("**CMO**") during 2020. The process performance qualification is planned for 2020 with validation of the process for the liquid-frozen formulation of the vaccine continuing into 2021, where the Company expects to commence commercial manufacturing. Validation activities for the freeze-dried formulation are expected to occur in 2022 with subsequent initiation of commercial manufacturing of this version. Following the technology transfer from GSK, Bavarian Nordic also plans to perform fill and finish activities with respect to Rabipur/RabAvert at its fill and finish facility.

The total investment for the new fill and finish facility is expected to amount to DKK 570 million, of which DKK 545 million has been invested as of the Prospectus Date. For a description of this investment see section 7.17, "*Investments of Bavarian Nordic in the period from January 1, 2020 to the Prospectus Date*".

### *7.11.3 Technology transfer of Rabipur/RabAvert and Encepur*

Bavarian Nordic intends to expand the manufacturing portfolio as described in this section 7.11, "*Manufacturing facility*", to include the manufacturing of Rabipur/RabAvert and Encepur. Rabipur/RabAvert and Encepur are currently manufactured by GSK and the basis of the technology transfer to Bavarian Nordic is an as-is transfer of the current manufacturing process. Rabipur/RabAvert and Encepur have been manufactured for more than 20 years and the as-is transfer will build on this history, aiming to ensure a smooth transfer to Bavarian Nordic's manufacturing facility in Kvistgaard. The transfer of the manufacturing of Rabipur/RabAvert and Encepur will be staged, starting with packaging then filling and ending with the transfer of bulk manufacturing.

GSK will provide assistance, including know-how, documentation, materials and training GSK is furthermore responsible for holding sufficient stock of master seed, meeting the required specifications and to supply samples of master seed stock, when it is required during the technology transfer. Significant milestone payments are dependent on successful technology transfer which would be difficult without the transfer of the relevant seed banks. The majority of the milestone payments are expected to become payable from 2022.

In accordance with the agreed plan, GSK will make available suitably experienced personnel. The technology transfer plan specifies how the responsibility is divided between GSK and Bavarian Nordic with respect to the activities to be undertaken and until December 31, 2022 costs are divided between the parties based according to responsibility. All other costs are to be borne by Bavarian Nordic. For a description of the agreements entered into between GSK and Bavarian Nordic see section 18.1 "*Terms of the Acquisitions*".

The manufacturing processes that are to be transferred to Bavarian Nordic have an extensive overlap with the process currently in use for Bavarian Nordic's approved vaccines. Manufacturing based on CEF cells is a core process at Bavarian Nordic's manufacturing facility in Kvistgaard and the manufacturing processes currently used for Rabipur/RabAvert and Encepur are variations of the current processes taking place at Bavarian Nordic's manufacturing facility in Kvistgaard.

All manufacturing of drug substance (for both Rabipur/RabAvert and Encepur) will be transferred to Bavarian Nordic, into an existing cGMP manufacturing building, only requiring minor modifications to accommodate the new products. Freeze-drying drug manufacturing of Rabipur/RabAvert will also take place in Kvistgaard (in the new fill and finish facility described in section 7.11.2, "*Fill and finish facility*", whereas Encepur will be filled (in a pre-filled syringe) at a CMO specialized in this type of filling. Bavarian Nordic has received confirmation that several global CMOs are available to handle the filling of Encepur.

The Company and GSK have collectively developed technology transfer protocols, which are based on industry standard approaches. These technology transfer protocols (one for drug substance and one for drug vaccine) will also include transfer of all cGMP analytical methods related to Rabipur/RabAvert and Encepur and will be carried out according to validation and comparability protocols. Technology transfer of approved vaccines between manufacturing facilities is highly regulated and therefore also a lengthy and complicated process. It is the expectation, that it will take up to 5 years before all steps of the manufacturing process have been fully transferred.

GSK has extensive experience in transferring processes in and out of their facilities and Bavarian Nordic has also successfully transferred processes to and from its manufacturing facility in Kvistgaard.

While the technology transfer process is on-going, GSK will supply vaccines to Bavarian Nordic under a transition agreement as described in section 18.1.2, "*Transition agreement*" and a manufacturing and supply agreement described in section 18.1.3, "*Manufacturing and supply agreement*".

### *7.11.4 Quality Control testing*

The QC laboratories currently perform several of the cGMP regulated QC testing in connection with the manufacturing and release and stability testing of bulk drug substances and final drug product in filled, labelled and packaged vials. Moreover, the laboratory performs all environmental monitoring tests including the microbiological testing of water. Bavarian Nordic has QC testing in Kvistgaard, Denmark and Martinsried, Germany. In addition to Bavarian Nordic's internal testing, Bavarian Nordic has also out-sourced testing to a number of long-term suppliers.

### *7.11.5 Quality Management Systems*

Bavarian Nordic has a well-established Quality Management System providing an overview of quality systems in effect and identifying key quality management procedures and positions. Quality management procedures are based on the respective ICH, EU, OECD and FDA guidelines, as well as national regulations for GCP, GVP, cGMP and GLP (e.g. the OECD Principles on GLP, U.S. FDA 21 CFR Part 58, ICH E6 GCP, GVP Module IV and Eudralex Volume 4, Part I and II). All quality management procedures are described and regulated in a comprehensive set of SOPs, which are maintained by Quality Assurance. Procedures covered by SOPs include among other document control, training, risk management, data integrity, archiving, deviations, CAPA and change control, planning, performance, reporting and follow up of audits (internal as well as external), as well as qualification and validation of equipment, computerized systems and methods.

### *7.11.6 Site security at Kvistgaard*

At the manufacturing facility at Kvistgaard, the Company has established security measures including perimeter security: guard house with access-controlled gates; perimeter fence (7.22 feet) with intrusion detection; external lighting of premises and 360° camera surveillance and storing data for 30 days. All buildings and individual areas within the secured area are controlled via identification badges and card readers. A security guard is on site 24/365, with support from an external security command centre. The security is outsourced to Securitas who has been a trusted partner to the Company for more than 10 years.

The site in Kvistgaard has drainage grates and flood protection on all basement doors, furthermore drainage pumps are available onsite.

All critical buildings are equipped with complete coverage automated fire detection systems and administration buildings are equipped with room-based fire detection systems. The guards on site are trained in basic firefighting and can immediately respond to a fire alarm. The guard will also direct and assist the fire department who has a response time of approximately 10 minutes. The site is routinely inspected by the fire department and is compliant with national legislation.

## 7.12 Organization

Bavarian Nordic was founded in 1994 and is today an international company with operations in Denmark, Germany, Switzerland and the United States with approximately 500 employees as of December 31, 2019; widely recognized for its work with vaccines.

Bavarian Nordic's organization is structured through a global functional setup with: R&D, Clinical, Commercial & BD, Global Operations and Corporate Support functions. The Management Team is responsible for these departments and ensures joint action plans, understanding of, commitment to and implementation of Bavarian Nordic's strategy throughout the organization. The quality team reports to the CEO, through a quality committee, ensuring that Bavarian Nordic's quality mindset is embedded throughout the organization.

In connection with the Acquisition of Rabipur/RabAvert and Encepur, Bavarian Nordic strengthened its Management Team in January 2020 with the appointment of Jean-Christophe May who now leads the establishment of Bavarian Nordic's commercial organization which is responsible for sale and marketing of Bavarian Nordic's commercial vaccines. Due to the Acquisition of Rabipur/RabAvert and Encepur and the expanded label for JYNNEOS to include monkeypox, Bavarian Nordic is increasing its internal commercialization expertise. See further section 7.9, "*Sales and distribution*".

Bavarian Nordic has over the years showed the ability to attract and retain skilled and experienced staff. The average tenure at Bavarian Nordic is 5.6 years which gives Bavarian Nordic a critical mass of people with in-depth knowledge of Bavarian Nordic' products and processes.

## 7.13 IT systems

Information technology is critical for Bavarian Nordic. Bavarian Nordic's own central IT department is located in Kvistgaard, Denmark and focuses on tasks within four main areas: IT infrastructure, application management, IT security, and IT support. The primary objective of the IT function is to serve Bavarian Nordic in running the day-to-day processes as efficiently and safe as possible.

IT-solutions are generally provided through outsourced datacenters or cloud-based services and Bavarian Nordic focuses on digitizing, automatizing and standardizing central business and finance functions.

Bavarian Nordic has established a financial reporting and consolidation system that covers all its operations. Through a financial reporting system, the Company receives monthly reporting from all companies within the group enabling tracking of financial information within Bavarian Nordic.

IT security is a focus area of Bavarian Nordic in order both to protect the data and systems from threats and to establish appropriate measures for restoring the IT environment if necessary.

Protection against threats involves a wide range of activities, for example implementing tools such as spam filters, virus detection, fire walls, routing of mails through external service provider, screening of internet traffic, two-way log-in authentication, updated software on servers and user devices and a tight password policy. In addition, it includes protection against more "traditional" threats such as redundancy of key IT equipment, redundancy of internet access and fireproof facilities. Finally, a key task is user education to ensure user awareness of potential threats for example CEO-fraud or ransomware.

Another vital part of the IT security task is to be able to restore the IT environment in case of a disruption. If the disruption is related to a loss of data, backup procedures are in place and disaster recovery procedures are in place to ensure which steps to follow in case of the most probable disruptions.

### *7.14 Intellectual property*

Bavarian Nordic's intellectual property ("**IP**") assets, primarily include patents and patent applications, trademarks and trade secrets. It is the objective to manage Bavarian Nordic's IP in line with the overall strategy, which has resulted in the accumulation of a significant patent portfolio directed at the various technologies and products. As Bavarian Nordic's business and technology has matured, the Company's internal organization, with the support of experienced external professionals, has strived to focus the patent portfolio such that it reflects the commercial endeavors.

#### *7.14.1 Patents*

##### *7.14.1.1 Patent strategy*

Bavarian Nordic's commercial success depends in part on the ability to obtain and maintain proprietary protection for its approved vaccines, drug candidates, novel discoveries, product development technologies and other know-how, to operate without infringing on the proprietary rights of others, and to prevent others from infringing Bavarian Nordic's proprietary rights. Bavarian Nordic's policy is to seek to protect its proprietary position by, among other methods, filing or in-licensing United States and foreign patents and patent applications related to the proprietary technology, inventions and improvements that are important to the development and implementation of the business. Bavarian Nordic also relies on trademarks, trade secrets, know-how, continuing technological innovation and potential in-licensing opportunities to develop and maintain its proprietary position.

Bavarian Nordic's IP policy targets the protection of new technologies and products by filing relevant patent applications and by prosecuting these to obtain patent protection in all countries considered major or key markets for the corresponding technology or relevant products. The goal of obtaining and maintaining a commercially strong patent portfolio must be weighed against the often significant expenses involved in obtaining and maintaining patents.

Factors influencing the patent filing decisions include relevant commercial markets and value of the technology and/or products, manufacturing possibilities and markets where the technology and/or products are likely to be infringed. Patent applications that cover primary technologies and products are therefore filed in most markets. Defensive patenting and applications covering add-on protection to the core patents are usually filed in certain markets only, which markets are selected based on the relevance of protection in the individual market to Bavarian Nordic's overall business. As part of the strategic considerations, Bavarian Nordic weighs the benefits of seeking patent protection against the benefits of protecting new technologies as trade secrets, or know-how, based on the circumstances.

Individual patents extend for varying periods depending on the date of filing of the patent application or the date of patent issuance and the legal term of patents in the countries in which they are obtained. Generally, patents issued for regularly filed applications in the United States are effective for 20 years from the earliest effective filing date. In addition, in certain instances, a patent term can be extended to recapture a portion of the USPTO delay in issuing the patent as well as a portion of the term effectively lost as a result of the FDA regulatory review period. However, with respect to the FDA component, the restoration period cannot be longer than five years and the total patent term including the restoration period may not exceed 14 years following FDA approval. The duration of European patents are also

usually effective 20 years from the earliest effective filing date. SPCs extend patent protection for up to five years to compensate for the years lost in the regulatory process associated with application for marketing authorization. The actual protection afforded by a patent varies on a product by product basis, from country to country, and depends upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory-related extensions, the availability of legal remedies in a particular country, and the validity and enforceability of the patent.

Furthermore, Bavarian Nordic relies upon trade secrets, or know-how, and continuing technological innovation to develop and maintain its competitive position. Bavarian Nordic seeks to protect proprietary information in part using confidentiality agreements with commercial partners, collaborators, employees and consultants, and invention assignment agreements with employees. Bavarian Nordic also has confidentiality agreements or invention assignment agreements with its commercial partners and selected consultants. These agreements are designed to protect proprietary information and, in the case of the invention assignment agreements, to grant Bavarian Nordic ownership of technologies that are developed through a relationship with a third-party. These agreements may be breached, and Bavarian Nordic may not have adequate remedies for any breach. In addition, trade secrets may otherwise become known or be independently discovered by competitors. To the extent that commercial partners, collaborators, employees and consultants use IP owned by others in their work for Bavarian Nordic, disputes may arise as to the rights in related or resulting know-how and inventions. For more information, see section 1.2, "*Risk related to Bavarian Nordic's operations*".

Bavarian Nordic's commercial success depends in part on not infringing upon the proprietary rights of third parties. It is uncertain whether the issuance of any third-party patent would require Bavarian Nordic to alter its development or commercial strategies, or its drugs or processes, obtain licenses or cease certain activities. Breach of any license agreements or failure to obtain a license to proprietary rights that Bavarian Nordic may require to develop or commercialize future products may have a material adverse impact on Bavarian Nordic. For more information, see section 1.2, "*Risk related to Bavarian Nordic's operations*".

#### *7.14.1.2 Patent portfolio*

Bavarian Nordic has successfully built its patent portfolio on and around the core technology, MVA-BN. Further, Bavarian Nordic has obtained protection for, and continues to file further applications to protect relevant supporting technologies.

Bavarian Nordic's patent portfolio consists of more than 41 patent families directed to its infectious disease portfolio and 17 patent families directed to its cancer portfolio, which are owned by Bavarian Nordic, jointly owned, or in-licensed, many of which consist of numerous issued/granted patents and pending applications. As of February 21, 2020, the patent portfolio, including in relation to Rabipur/RabAvert and Encepur, comprised more than 681 granted/issued patents predominantly directed to Bavarian Nordic's infectious disease business and more than 126 directed to the cancer business, and approximately 207 pending patent applications predominantly directed to the infectious disease business and approximately 66 directed to the cancer business. The core patent families are those described in the following sections.

##### *7.14.1.2.1 Patent protection for Rabipur/RabAvert and Encepur*

European Patent 1 593 392 is directed to the rabies vaccine used with a reduced vaccine dose (than currently recommended for immunization by the WHO) and methods of post-exposure immunization with a reduced dose of less than 2.5 IU/mL. The patent is currently not used by Bavarian Nordic and the expected patent term expires September 2024. There is no United States counterpart. The manufacturing of Rabipur/RabAvert and Encepur is protected by know-how and trade secrets.

#### *7.14.1.2.2 MVA-BN patent portfolio*

Bavarian Nordic's competitive IP protection gives exclusive rights to produce, sell and market the MVA-based technology globally. The exclusive rights cover certain aspects of MVA vaccines (smallpox/monkeypox) and recombinant MVA vaccines for cancer and infectious disease indications created by inserting foreign genes into the MVA genome. In addition, Bavarian Nordic has acquired exclusive rights to non-MVA technologies, including other viruses and manufacturing processes.

European Patent 1 335 987 directed to an MVA virus variant referred to as MVA-BN, was maintained through opposition proceedings, and has been extended in relevant European jurisdictions by being granted, or with petition pending for SPCs in relevant European jurisdictions. Such SPC extended patent terms expire November 2026. Over the years, 10 patents have been issued to Bavarian Nordic in the United States within the patent family covering MVA-BN, exhibiting an improved safety profile compared to other MVA viruses. Following the FDA's market authorization, Bavarian Nordic timely filed an application at the USPTO for PTE based on regulatory delay with respect to U.S. Patent No. 7,335,364 directed to the MVA-BN virus/technology, having certain biological characteristics. Bavarian Nordic expects that the PTE will be granted, to its fullest extent of 5 years, affecting the patent term to be extended to expire November 2026. Bavarian Nordic maintains patents in this patent family in other relevant major markets until they are due to expire in November 2021.

#### *7.14.1.2.3 Patent protection for Ebola/Marburg vaccine and WEVEE vaccine*

Bavarian Nordic has three patent families seeking protection for its MVA-BN based multifilo Ebola/Marburg vaccine construct, including claims directed to heterologous prime boost regimens. For one patent family, the applications were filed jointly with Janssen in the United States relating to the MVA-Adenovirus approach as U.S. Patent Application No. 62/045,522. In this family, U.S. Patent Application No. 6/507,975 has been allowed. The European counterpart, EP Application No. 1576631.1 has also been allowed.
A second patent family has applications filed by Bavarian Nordic that comprises U.S. Patent Application No. 62/045,538 and relates to the MVA-BN Filo and heterologous MVA-Fowlpox approach. In this family, U.S. Patent Application No. 16/508,851 has been allowed. The European counterpart, EP Application No. 15763853.7 has also been allowed. Patent terms for these patent families are expected to expire in September 2035, not counting potential patent term adjustment ("**PTA**") due to patent office delay or PTE due to regulatory delay in the United States, or SPC in European jurisdictions due to regulatory delay. Bavarian Nordic also procures patents in these patent families in other relevant major markets.

A third patent family with applications filed jointly with Janssen relates to protection against Marburg with claims directed to heterologous prime/boost using MVA-Adenovirus approach (U.S. Patent Application No. 16/500567 and EP Application No. 17754791.6).

Bavarian Nordic also procures patent protection for the MVA-BN based construct that includes multiple antigens from Western-, Eastern- and Venezuelan Equine Encephalitis Virus (WEVEE) in some markets, comprising U.S. Patent Application No. 16/073434 (January 2017) and EP Patent Application 17702827.1 (January 2017).

#### *7.14.1.2.4 Patent protection for the RSV vaccine*

Bavarian Nordic has patent protection with respect to its RSV vaccine. Four patents have been issued in the United States as U.S. Patent No. 9,480,738, U.S. Patent No. 9,717,787, U.S. Patent No. 10,124,058 and U.S. Patent No. 10,532,094. Patent terms for these patent families are expected to expire in March 2033, not counting potential PTA due to patent office delay due to regulatory delay in the United States, or SPC

in European jurisdictions due to regulatory delay. Bavarian Nordic also procures patents in this patent family in other relevant major markets.

#### *7.14.1.2.5 Patent protection for cancer projects/targets*

Bavarian Nordic procures several patent families relating to various cancer research and development projects directed to recombinant MVA-BN vaccines for tumor therapy via unconventional routes such as intravenous or intratumoral application, including the approach of expressing costimulatory molecules such as CD40L besides the tumor targeting antigens to generate and enhance desired anti-tumor responses as well as inducing innate and adaptive immune responses as tumor therapies. These include: TAEK-VAC combination therapy for treating cancer with an intravenous administration of a recombinant MVA and an antibody (PCT/EP2018/072789) and 4-1BBL therapy for treating cancer with an intratumoral or intravenous administration of a recombinant MVA encoding 4-1BBL (CD137L) and/or CD40L (U.S. Patent Application No. 62/807720 and EP Application No. 18207238.9).

Bavarian Nordic has filed applications within one patent family with respect to CV301 (U.S. Patent Application No. 16/337086 and EP Application No. 17783784.6) directed to compositions and methods for enhancing the stability of transgenes in poxviruses. Another patent family referred to as promoters for poxviral brachyury expression is being procured for Brachyury vaccines (U.S. Patent Application No. 15/747844; EP Application No. 16775852.3), also directed to the brachyury vaccine. Bavarian Nordic's portfolio also consists of several exclusively and non-exclusively licensed patents and patent applications from the NCI in the United States, including patent families relating to the CV301, Brachyury and PROSTVAC collaborative projects.

### *7.14.2 Trademarks*

Bavarian Nordic's core trademarks include JYNNEOS/IMVANEX/IMVAMUNE, the trade names for the smallpox/monkeypox vaccine and Rabipur/RabAvert and Encepur, the trade names for the rabies and TBE vaccines. JYNNEOS is registered as a trademark in the United States and the EU and the trademark application is pending in Canada. IMVANEX and IMVAMUNE have been registered in markets assessed by Bavarian Nordic to be relevant. Rabipur/RabAvert and Encepur is registered as a trademark in the EU and Canada and RabAvert is registered as a trademark in the United States. In addition, Rabipur is registered as a trademark in more than 100 markets, RabAvert is registered in more than 10 markets and Encepur is registered as a trademark in more than 20 markets. Other core trademarks that are registered in relevant markets are MVA-BN and Bavarian Nordic.

### *7.14.3 Trade Secrets*

The current manufacturing process used for Bavarian Nordic's MVA-BN-based vaccines, including the smallpox vaccine manufacturing, is primarily protected as a trade secret and is therefore not disclosed to competitors. The manufacturing of Rabipur/RabAvert and Encepur is also primarily protected by know-how and trade secrets.

### *7.14.4 Enforcement of Intellectual Property Rights*

Bavarian Nordic's IP enforcement strategy focuses on the Board of Directors' and the Management Team's prioritization of the value of the technology and/or products believed to be infringed by third parties, the relevant commercial markets and, in some cases, such third party's likelihood of success with said product. Given the variables in every single situation, the starting point of developing a specific strategy is a solid assessment of the facts and surrounding circumstances. First step is an infringement analysis,

an objective validity analysis of the relevant patent(s), the perceived valuation of what is at stake in terms of company gain, or how much is at stake either monetary or to ensure that the company IP will be respected. The Board of Directors and the Management Team will at the end decide whether to move forward with an enforcement action.

Bavarian Nordic enforced certain IP rights, including the MVA-BN patents, against Acambis in 2005, and in 2007, reached a global settlement, ending the legal disputes on matters relating to smallpox vaccines based on the MVA virus. The settlement involved patent disputes at the U.S. International Trade Commission and the Commercial Court in Vienna, Austria, as well as the conversion, unfair trade acts and unfair competition action at the U.S. Federal District Court of the District of Delaware. Under the agreement, Bavarian Nordic granted a license to some of its MVA patents in return for Acambis making an undisclosed upfront payment. Acambis is also required to make certain royalty and milestones payments should it develop or commercialize certain MVA products in the future.

Bavarian Nordic subsequently enforced the MVA-BN patents against Oxford BioMedica plc, BioMedica, Inc., and Oxford BioMedica Ltd., in the U.S. District Court of the Southern District of California. The Company and Oxford BioMedica reached a global settlement in 2010, ending the legal disputes between the parties on matters relating to MVA-BN. Under the agreement, the Company has granted a license to MVA-BN patents in return for Oxford BioMedica making milestone payments and royalties. Further, Oxford BioMedica granted Bavarian Nordic a license to its heterologous prime-boost patents (now expired) in return for milestone payments and royalties and a sub-license on licensed products, under poxvirus patents licensed to Oxford BioMedica by Sanofi-Aventis. Under the settlement, the terms of which are confidential, all pending litigation ceased, and all oppositions filed at the European Patent Office by Oxford BioMedica were withdrawn.

### *7.14.5 License agreements*

#### *7.14.5.1 Cooperative Research and Development Agreement with NCI, PHS and NIH regarding Brachyury*

In October 2011, Bavarian Nordic expanded its scientific partnership by entering into a cooperative research and development agreement ("**CRADA**") with the NCI. Under the CRADA, Bavarian Nordic and the NCI will jointly develop new product candidates for the prevention and treatment of multiple cancer indications, including further development of CV301 and brachyury. Bavarian Nordic and the NCI will collaborate on the preclinical and clinical development of recombinant poxvirus-based immunotherapies for the treatment and prevention of breast, lung, ovary, liver, gastric system, bladder, kidney and pancreatic cancer. Clinical trials performed under the CRADA are based on a joint development plan between Bavarian Nordic and the NCI.

Bavarian Nordic has rights to exclusively license intellectual property that results from this collaboration, subject to a nonexclusive, non-transferable, irrevocable license to the U.S. Government to practice throughout the world of research or other U.S. Government purposes. The CRADA ran for an initial five-year period and in September 2016, CRADA was extended by an additional five years to 3 October 2021.

When entering into the CRADA in 2011 with NCI, Bavarian Nordic also entered into a license agreement with the PHS under which Bavarian Nordic was granted a license to certain intellectual property rights related to the treatment and prevention of breast, lung, ovary, liver, gastric system, bladder, kidney and pancreatic cancer. In addition, in 2013 Bavarian Nordic entered into a license agreement with NIH under which Bavarian Nordic was granted a license to certain intellectual property rights related to treatment and prevention of colorectal cancer.

The license agreement with PHS and NIH will expire upon expiration of the last patent contained in the licensed patent rights, unless terminated earlier.

The license agreements with PHS and NIH may terminate or modify the license in the event of a material breach, including, if Bavarian Nordic is not executing the commercial development plan, if Bavarian Nordic does not meet certain milestones by certain dates, if Bavarian Nordic is unable to satisfy unmet health and safety needs, or upon certain insolvency events that remain uncured, in each case following certain notice periods. In addition, Bavarian Nordic may terminate the license agreements with PHS and NIH, respectively, or any portion thereof, at its sole discretion at any time, subject to certain notice requirements and cure periods. In addition, each of PHS and NIH has the right to require Bavarian Nordic to sublicense the rights to the product candidates covered by the relevant license upon certain conditions, including if Bavarian Nordic is not reasonably satisfying required health and safety needs or if Bavarian Nordic is not satisfying requirements for public use as specified by federal regulations.

Each of the license agreements with the PHS and NIH divide the licensed patent portfolio into (i) exclusively and (ii) non-exclusively licensed patents and patent applications. The license agreements require Bavarian Nordic to pay royalties and milestone payments as well as contributing to the payment of patent prosecution expenses.

## *7.15 Insurance*

Bavarian Nordic strives to have an appropriate balance between risk exposure and insurance coverage. To obtain this, Bavarian Nordic monitors and analyses its essential risks and Bavarian Nordic believes that it maintains an appropriate insurance coverage in line with the insurance coverage for comparable companies.

## *7.16 Corporate Social Responsibility*

Bavarian Nordic seeks to communicate openly and transparently about its CSR efforts, which particularly focus on minimizing the environmental impact from its manufacturing, but also concentrate on the safety and well-being of its employees, as well as other areas of relevance to Bavarian Nordic's business. Bavarian Nordic accounts annually for the development in these areas in its CSR report available on the Company's website. Information on the Company's website does not form part of and is not incorporated by reference into this Prospectus.

### Environmental impact

Bavarian Nordic's primary impact on the environment and climate is derived from its manufacturing facility at Kvistgaard, Denmark and Bavarian Nordic endeavors to reduce this impact by improving its manufacturing efficiency and processes to optimize energy consumption and to minimize emissions and waste. Bavarian Nordic aims to be at the forefront of environmental work and seeks to be so by maintaining a high degree of compliance and systematization in its organization, in accordance with the principles in the ISO 14001:2015 standard for environmental management. Bavarian Nordic seeks to involve and commit its employees to raise awareness and ensure a proactive approach to the environmental work throughout the organization.

### Employee safety and well-being

Bavarian Nordic's employees are its most valuable asset and as an innovative, knowledge-based organization, it is important for Bavarian Nordic to attract and retain highly qualified workers and to this end Bavarian Nordic offers its staff a good and inspiring working environment that also provides them with development opportunities.

Being a global organization, Bavarian Nordic supports a diverse, accommodating and non-discriminatory working environment where, regardless of gender, age, ethnicity, physical impairment, religion or sexual orientation, all employees aspire to the same objectives.

Bavarian Nordic strives to maintain a good work-life balance, and focuses on employee health, safety and job satisfaction. Bavarian Nordic has established a formal organization with oversight of all issues pertaining to health and safety, proactively working to ensure that Bavarian Nordic complies with relevant requirements as defined by the authorities. Bavarian Nordic systematically map both the physical and psychosocial working environment with a view to ensure that necessary preventive steps can be taken, for the benefit of both individual employees and Bavarian Nordic as a whole. Bavarian Nordic does so in a close dialogue between management and employees, both on a daily basis and through a number of established committees, including local works councils and a health and safety committee, which receives regular education and training in relevant areas.

## 7.17 Investments of Bavarian Nordic in the period from January 1, 2020 to the Prospectus Date

Investments in the period from January 1, 2020 to the Prospectus Date are DKK 7 million and primarily relate to the new fill and finish facility as described in section 7.17.1, "*Significant current investments*".

### 7.17.1 Significant current investments

As of the Prospectus Date, the new fill and finish facility at Kvistgaard, Denmark is Bavarian Nordic's only significant investment in progress. The investment was initiated in March 2018 and is expected to complete in 2021. The total investment by Bavarian Nordic is expected to amount to DKK 570 million, of which DKK 545 million have been invested as of the Prospectus Date. For a description of the new fill and finish facility see section 7.11.2, "*Fill and finish facility*". The investment is partly funded by a loan facility of EUR 30 million obtained from EIB in August 2018. The loan facility can be drawn down once the Offering has been completed and at the latest in August 2020. The loan is unsecured with a seven year tenor with instalments or a five year bullet maturity. The remaining part of the investment has been funded by the Company's own cash position. For a description of the loan provided by EIB see section 18.5, "*European Investment Bank loan agreements*".

In addition to the investment made by the Company with respect to the fill and finish facility the Company has been granted funding of USD 33 million under the contract with the U.S. Government for freeze-dried MVA-BN to support qualification of the new fill and finish facility as well as the transfer and validation of the freeze-drying manufacturing process. For a description of the agreement see section 18.4, "*Vaccine development contract with BARDA regarding MVA-BN smallpox vaccine (freeze-dried)*".

### 7.17.2 Future investments

As of the date of this Prospectus, the Company are planning for the below material future investments in property, plants and equipment.

To be able to ramp up for commercial scale manufacturing of RSV, the Company plans to invest approximately DKK 40 million in two 500 litre bioreactors. The investment is planned to take place in 2020-2021.

As part of the technology transfer process as described in section 7.11.3, "*Technology transfer of Rabipur/RabAvert and Encepur*", the Company expects to spend approximately DKK 450 million on investments in new equipment and modifying the current manufacturing facility by investing in an additional bulk production to expand the bulk capacity to produce products in parallel. The investment is planned to take place in 2020-2023.

The integration of the Rabipur/RabAvert and Encepur and the related regulatory, sale and distribution activities requires an investment in IT software anticipated to be in the range of DKK 15-20 million in the coming years covering the following investments:

- A Customer Relationship Management and Medical Information system to support the new commercial and medical organization. Through this system, the commercial representatives and medical liaisons can plan and engage with professionals. The systems will also support authority reporting as per regulation.
- The current Pharma Quality System is also planned to be expanded with a pharmacovigilance and clinical management system.
- The Company plans to set up a Business Intelligence and Data Management System to support future Business Intelligence needs and to support the process of receiving documentation from GSK.

The above investments are anticipated to be financed through the cash generated in Bavarian Nordic's ordinary course of business.

# 8. REGULATION

## 8.1 Overview

Government authorities in most jurisdictions extensively regulate the research, development, clinical testing, manufacture, distribution and marketing of biopharmaceutical products such as those that Bavarian Nordic is marketing and developing. Obtaining regulatory approvals and ensuring subsequent compliance with applicable laws and regulations require the expenditure of substantial time and financial and managerial resources. Regulatory requirements in different jurisdictions vary, and the timing and success of efforts to obtain regulatory approvals can be highly uncertain. Development of a successful product candidate, from identification of a candidate, through preclinical and clinical testing, to registration, typically takes more than ten years.

Biopharmaceutical product development is a highly structured process divided into two major stages, preclinical and clinical. In the preclinical stage, the toxicology and mode of action of a product candidate is evaluated. The clinical stage is designed to prove the safety of any new pharmaceutical drug, determine dosage requirements and, predominantly in the later phases, prove its efficacy. The clinical stage is carried out in three phases, which, as the developer moves through the phases, require increasingly large, complex, expensive and time-consuming clinical studies.

- ***Phase 1:*** the product candidate is initially given to a small number of healthy human subjects or patients and tested for safety, tolerance, absorption, metabolism, distribution and excretion.
- ***Phase 2:*** additional trials are conducted in a larger, but still relatively limited, patient population to verify that the product candidate has the desired effect and to identify optimal dosage levels. Furthermore, possible adverse effects and safety risks are identified. The efficacy of the product candidate for specific targeted diseases is also studied in more depth.
- ***Phase 3:*** trials are undertaken to further evaluate dosage, to provide statistically significant evidence of clinical efficacy and to further study the safety in an expanded patient population at multiple clinical trial sites. Phase 3 trials may require several hundreds or thousands of patients and are therefore the most expensive and time-consuming to conduct. At any time during one of the phases, a trial may produce a negative result, in which case the developer may choose to end the development project.

Following completion of the Phase 3 trials, the developer submits all the preclinical and clinical trial documentation as well as extensive data characterizing the manufacturing process to the regulator to seek regulatory approval to market the formulation as a pharmaceutical product. The regulator reviews all the information related to the safety of the product candidate, and whether the pharmacological effect claimed by the developer on the proposed label can be substantiated by the results of the clinical trials. The regulator has the option to decide to approve the application as requested, ask for changes to the claims made by the developer, ask for more information, require that further clinical trials are undertaken, or refuse to approve the formulation for sale.

Even after initial regulatory approval has been obtained, further studies, including Phase 4 post-approval safety studies, may be required to provide additional data on safety and will be required to gain approval for the use of a product as a treatment for clinical indications other than those for which the product was initially tested. There are also continuing, annual program user fee requirements for any marketed products, as well as new application fees for supplemental applications with clinical data. In addition, regulatory authorities require post-marketing reporting to monitor the adverse effects of the product. Results of post-approval programs may limit or expand the further marketing of the products. Further,

if there are any modifications to the product, including changes in indication, manufacturing process or labeling, or a change in the manufacturing facility, an application seeking approval of such changes or, as the case may be, notification, must be submitted to the relevant regulatory authorities before the modified product can be commercialized. Moreover, an approved biopharmaceutical product may be subject to a Risk Evaluation and Mitigation Strategy ("**REMS**"), which could impose a number of post-approval obligations, including (among other things) a communication plan for physicians regarding safe use of the product, distribution and use restrictions, and/or periodic assessments of the effectiveness of the REMS. Finally, studies may be required as a contingency of regulatory approval (post-approval commitments), and completion of these studies within a regulator mandated time frame may be required.

### *8.1.1 European Union*

The development, marketing and sale of medicinal products in the EU is subject to extensive pre and post marketing regulation by regulatory authorities at both the EU and national levels. The requirements, regulatory approvals and processes governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country, although there is some degree of EU wide harmonization.

#### *8.1.1.1 Clinical Trials*

Clinical trials of medicinal products in the EU must be conducted in accordance with EU and national regulations (focusing in particular on traceability) that apply to clinical trials of advanced therapy medicinal products. If the sponsor of the clinical trial is not established within the EU, it must appoint an entity within the EU to act as its legal representative. The sponsor must take out a clinical trial insurance policy and, in most EU countries, the sponsor is liable to provide 'no fault' compensation to any study subject injured in the clinical trial.

Prior to commencing a clinical trial, the sponsor must obtain a clinical trial authorization from the relevant regulatory authority, and a positive opinion from an independent ethics committee. The application for a clinical trial authorization must include, among other things, a copy of the trial protocol and an investigational medicinal product dossier containing information about the manufacture and quality of the medicinal product under investigation. Currently, clinical trial authorization applications must be submitted to the regulatory authority in each EU member state in which the trial will be conducted. Under the new Regulation on Clinical Trials there will be a centralized application procedure where one national authority takes the lead in reviewing the application and the other national authorities have only a limited involvement. Any substantial changes to the trial protocol or other information submitted with the clinical trial applications must be notified to, or approved by, the relevant competent authorities and ethics committees. Medicines used in clinical trials must be manufactured in accordance with cGMP.

#### *8.1.1.2 Marketing Authorization*

In the EU, medicinal products can only be commercialized after obtaining a marketing authorization. There are four procedures for obtaining marketing authorizations: the centralized procedure, the decentralized procedure, the mutual recognition procedure and the national procedure.

The Community marketing authorization, which is issued by the European Commission through the centralized procedure based on the opinion of the Committee for Medicinal Products for Human Use ("**CHMP**") of the EMA, is valid throughout the entire territory of the EEA. The centralized procedure is mandatory for certain types of products, such as biotechnology medicinal products, advanced therapy

medicinal products ("**ATMPs**"), orphan medicinal products, and medicinal products containing a new active substance indicated for the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, autoimmune and viral diseases. The centralized procedure is optional for other products such as products containing a new active substance not yet authorized in the EU, or for products that constitute a significant therapeutic, scientific or technical innovation or which are in the interest of public health in the EU.

The Committee for Advanced Therapies ("**CAT**") is responsible in conjunction with the CHMP for the evaluation of ATMPs. The CAT is primarily responsible for the scientific evaluation of ATMPs and prepares a draft opinion on the quality, safety and efficacy of each ATMP for which a marketing authorization application is submitted. The CAT's opinion is then taken into account by the CHMP when giving its final recommendation regarding the authorization of a product in view of the balance of benefits and risks identified. Although the CAT's draft opinion is submitted to the CHMP for final approval, the CHMP may depart from the draft opinion if it provides detailed scientific justification. The CHMP and CAT are also responsible for providing guidelines on ATMPs and have published numerous guidelines, including specific guidelines on gene therapies and cell therapies. These guidelines provide additional guidance on the factors that the EMA will consider in relation to the development and evaluation of ATMPs and include, among other things, the preclinical studies required to characterize ATMPs; the manufacturing and control information that should be submitted in a marketing authorization application; and post-approval measures required to monitor patients and evaluate the long term efficacy and potential adverse reactions of ATMPs.

Under the centralized procedure in the EU, the maximum timeframe for the evaluation of a marketing authorization application ("**MAA**") by the EMA is 210 days. This excludes so-called clock stops, during which additional written or oral information is to be provided by the applicant in response to questions asked by the CHMP. At the end of the review period, the CHMP provides an opinion to the European Commission. If this opinion is favorable, the Commission may then adopt a decision to grant a marketing authorization. In exceptional cases, the CHMP might perform an accelerated review of an MAA in no more than 150 days. This is usually when the product is of major interest from a public health perspective and, in particular, from a therapeutic innovation perspective.

The European Commission may grant a so-called "marketing authorization under exceptional circumstances". Such authorization is intended for products for which the applicant can demonstrate that it is unable to provide comprehensive data on the efficacy and safety under normal conditions of use because the indications for which the product in question is intended are encountered so rarely that the applicant cannot reasonably be expected to provide comprehensive evidence, or in the present state of scientific knowledge, comprehensive information cannot be provided, or it would be contrary to generally accepted principles of medical ethics to collect such information. A marketing authorization under exceptional circumstances is subject to annual review to reassess the risk-benefit balance in an annual reassessment procedure. Continuation of the authorization is linked to the annual reassessment and a negative assessment could potentially result in the marketing authorization being suspended or revoked. The renewal of a marketing authorization of a medicinal product under exceptional circumstances, however, follows the same rules as a "normal" marketing authorization. Thus, a marketing authorization under exceptional circumstances is granted for an initial five years, after which the authorization will become valid indefinitely, unless the EMA decides that safety grounds merit one additional five-year renewal.

The European Commission may also grant a so-called "conditional marketing authorization" prior to obtaining the comprehensive clinical data required for an application for a full marketing authorization. Such conditional marketing authorizations may be granted for product candidates (including medicines designated as orphan medicinal products), if (i) the risk-benefit balance of the product candidate is

positive, (ii) it is likely that the applicant will be in a position to provide the required comprehensive clinical trial data, (iii) the product fulfills an unmet medical need and (iv) the benefit to public health of the immediate availability on the market of the medicinal product concerned outweighs the risk inherent in the fact that additional data are still required. A conditional marketing authorization may contain specific obligations to be fulfilled by the holder of a marketing authorization, including obligations with respect to the completion of ongoing or new studies, and with respect to the collection of pharmacovigilance data. Conditional marketing authorizations are valid for one year, and may be renewed annually, if the risk-benefit balance remains positive, and after an assessment of the need for additional or modified conditions and/or specific obligations. The timelines for the centralized procedure described above also apply with respect to the review by the CHMP of applications for a conditional marketing authorization.

MAs obtained using the decentralized procedure ("**DCP**") are available for products not falling within the mandatory scope of the centralized procedure. An identical dossier is submitted to the regulatory authorities of each of the member states in which the marketing authorization is sought, one of which is selected by the applicant as the Reference Member State ("**RMS**"). The competent authority of the RMS prepares a draft assessment report, a draft summary of the product characteristics and a draft of the labeling and package leaflet, which are sent to the other concerned member states for their approval. A concerned member state can raise an objection, based on the assessment report, the summary of product characteristics, the labeling and the package leaflet on the grounds of potential serious risk to public health. If no such objections are raised, the product will be granted a national marketing authorization in the RMS and all of the selected concerned member states. Where a product has already been authorized for marketing in a member state of the EEA, this DCP approval can be recognized in other member states through the mutual recognition procedure.

MAs obtained using the national procedure are issued by a single regulatory authority of one of the member states of the EU and only apply to the territory covered by the relevant regulatory authority. They are available for products not falling within the mandatory scope of the centralized procedure. Once a product has been authorized for marketing in a member state of the EU through the national procedure, any application in another member state must be by the mutual recognition procedure by which the marketing authorization can also be recognized in other member states through the mutual recognition procedure.

The holder of a marketing authorization in any member state of the EU is subject to various obligations under applicable EU regulations, such as pharmacovigilance obligations, requiring it to, among other things, report and maintain detailed records of adverse reactions, and to submit periodic safety update reports to the regulatory authorities. The holder must also ensure that the manufacturing and batch release of its product is in compliance with the applicable requirements. The holder of a marketing authorization is further obligated to ensure that the advertising and promotion of its products comply with applicable laws, which can differ from member state to member state of the EU.

#### *8.1.1.3 Data Exclusivity*

MAAs for generic medicinal products in the EU do not need to include the results of preclinical and clinical trials, but instead can refer to the data included in the marketing authorization of a reference product for which regulatory data exclusivity has expired. If a marketing authorization is granted for a medicinal product containing a new active substance, that product benefits from eight years of data exclusivity, during which generic MAAs referring to the data of that product may not be accepted by the regulatory authorities, and a further two years of market exclusivity, during which such generic products may not be placed on the market. The two-year period may be extended to three years if during the first eight years a new therapeutic indication with significant clinical benefit over existing therapies is approved.

There is a special regime for biosimilars and medicinal products that are similar to a reference medicinal product but that do not meet the definition of a generic medicinal product, for example, because of differences in raw materials or manufacturing processes. For such products, the results of appropriate preclinical or clinical trials must be provided, and guidelines from the EMA detail the type and quantity of supplementary data to be provided for different types of biological medicinal products. There are no such guidelines for complex biological medicinal products, such as gene or cell therapy medicinal products, therefore it is unlikely that biosimilars of those products will currently be approved in the EU. However, guidance from the EMA states that they will be considered in the future in light of the scientific knowledge and regulatory experience gained at the time.

#### *8.1.1.4 Pediatric Development*

In the EU, companies developing a new medicinal product must agree to a Pediatric Investigation Plan ("**PIP**") with the EMA, and must conduct pediatric clinical trials in accordance with that PIP, unless the product is exempted (e.g. if the product is a generic product, a "hybrid" medicinal product or a biosimilar product) or a deferral or waiver applies (e.g., because the relevant disease or condition occurs only in adults). The marketing authorization application for the product must include the results of pediatric clinical trials conducted in accordance with the PIP, unless the product is exempted, a waiver applies, or a deferral has been granted, in which case the pediatric clinical trials must be completed at a later date. Where an application for a marketing authorization includes the results of all studies conducted in compliance with an agreed PIP, the holder of the patent or SPC shall be entitled to a six-month extension of the protection under the SPC or, in the case of orphan medicinal products, a two year extension of the orphan market exclusivity. This pediatric reward is subject to specific conditions and is not automatically available when data in compliance with the PIP are developed and submitted.

#### *8.1.1.5 GDPR*

Processing of Personal Data is subject to data protection laws, privacy requirements and other regulatory restrictions in the various jurisdictions in which Bavarian Nordic operates, including the GDPR.

The GDPR imposes a number of mandatory requirements, including, but not limited to, (i) ensuring that the basic principles for processing of Personal Data are met, (ii) ensuring appropriate and sufficient legal bases for processing of Personal Data, (iii) providing information to the individuals regarding the processing of their Personal Data, (iv) responding to requests from individuals to exercise their rights in relation to processing of their Personal Data (v) implementing appropriate security measures to protect Personal Data, (iv) entering into data processing agreements with third parties who process Personal Data on behalf of Bavarian Nordic and ensuring that these parties do so in compliance with the applicable requirements, (vi) keeping records of processing activities, (vii) reporting Personal Data breaches to the competent national supervisory authority and, where applicable, the affected individuals, (vii) appointing data protection officers, (viii) conducting data protection impact assessments, and (ix) ensuring an adequate protection for Personal Data transferred to jurisdictions outside the EEA, such as the United States.

### *8.1.2 United States*

#### *8.1.2.1 Standard Procedure*

In the United States, the FDA regulates biopharmaceutical products under the Federal Food, Drug, and Cosmetic Act, Public Health Service Act and their implementing regulations. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state and local statutes

and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. requirements at any time during the product development process, the approval process or later, may subject an applicant to a variety of administrative or judicial sanctions, such as the FDA's refusal to approve pending applications, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties.

The process required by the FDA before a biopharmaceutical product may be marketed in the United States generally involves the following:

- completion of preclinical laboratory studies, animal studies and formulation studies in compliance with the FDA's good laboratory practice regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- approval by the institutional review board ("**IRB**") at each clinical site before each trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with applicable IND and other clinical trial-related regulations and GCP requirements in order to establish the safety and efficacy of the proposed product candidate for its proposed indication;
- submission to the FDA of a BLA;
- satisfactory completion of an FDA pre-approval inspection of the production facility or facilities where the product is produced to assess compliance with the FDA's cGMP requirements to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality, purity and potency;
- potential FDA audit of the preclinical and/or clinical trial sites that generated the data in support of the BLA; and
- FDA review and approval of the BLA prior to any commercial marketing or sale of the product in the United States.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending BLAs or supplements to approved applications, or suspension or revocation of product approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

#### *8.1.2.2 Clinical Trials*

Clinical trials involve the administration of the investigational product to human patients under the supervision of qualified investigators in accordance with GCP requirements, which include the require-

ment that all research patients provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. In addition, an IRB at each institution participating in the clinical trial must review and approve the plan for any clinical trial before it commences at that institution. Information about certain clinical trials must be submitted within specific timeframes to the NIH for public dissemination on their website. Regulatory authorities, IRBs or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research patients are being exposed to an unacceptable health risk.

#### *8.1.2.3 Marketing Authorization*

Assuming successful completion of the required clinical testing, the results of the preclinical studies and clinical trials, together with detailed information relating to the product's chemistry, manufacture, controls and proposed labeling, among other things, are submitted to the FDA as part of a BLA requesting approval to market the product for one or more indications. In most cases, the submission of an application is subject to a substantial application user fee. Under the U.S. Prescription Drug User Fee Act guidelines that are currently in effect, the FDA has a goal of ten months from the date of "filing" of a standard application to review and act on the submission. This review typically takes twelve months from the date the BLA is submitted to the FDA because the FDA has approximately two months to make a "filing" decision.

In addition, under the U.S. Pediatric Research Equity Act of 2003, as amended and reauthorized, certain BLAs or BLA supplements must contain data that are adequate to (i) assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations, and (ii) support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements.

The FDA conducts a preliminary review of all BLAs within the first 60 days after submission, before accepting them for filing, to determine whether they are sufficiently complete to permit substantive review. The FDA may request additional information rather than accept a BLA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA reviews an application to determine, among other things, whether the product is safe and effective and whether the facility in which it is manufactured, processed, packaged or held meets standards that are designed to assure the product's continued safety, quality and purity.

The FDA may refer an application for a novel drug to an advisory committee. An advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

Before approving a BLA, the FDA typically will inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent

production of the product within required specifications. Additionally, before approving a BLA, the FDA may inspect one or more clinical trial sites to assure compliance with GCP requirements.

After evaluating the BLA and all related information, including the advisory committee recommendation, if any, and inspection reports regarding the manufacturing facilities and clinical trial sites, the FDA may issue an approval letter, or, in some cases, a complete response letter. A complete response letter generally contains a statement of specific conditions that must be met in order to secure final approval of the BLA and may require additional clinical or preclinical testing in order for the FDA to reconsider the application. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval. If and when those conditions have been met to the FDA's satisfaction, the FDA will typically issue an approval letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications.

Even if the FDA approves a product, it may limit the approved indications for use of the product, require that contraindications, warnings or precautions be included in the product labeling, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess a product's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, which can materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-marketing studies or surveillance programs. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes, and additional labeling claims, are subject to further testing requirements and FDA review and approval.

#### *8.1.2.4 Other U.S. Healthcare Laws*

Bavarian Nordic may also be subject to healthcare regulation and enforcement by the U.S. federal government and the states in which Bavarian Nordic conducts its business, including its research, and the marketing and distribution of its product candidates and products once they have obtained a marketing authorization. In particular, Bavarian Nordic may be subject to the following U.S. healthcare laws and regulations:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or providing any remuneration (including any kickback, bribe, or certain rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service, for which payment may be made, in whole or in part, under any U.S. federal healthcare program, such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- the U.S. federal civil and criminal false claims and civil monetary penalties laws, including the civil False Claims Act, which prohibit, among other things, including through civil whistle-blower or qui tam actions, individuals or entities from knowingly presenting, or causing to be presented, to the U.S. federal government, claims for payment or approval that are false or fraudulent, knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. Pharmaceutical manufacturers can cause false claims to be presented to the U.S. federal government by engaging in impermissible marketing practices, such as the off-label promotion of a product for an indication for which it has not received FDA approval. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act;

- the HIPAA which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services. Similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the healthcare fraud statute implemented under HIPAA or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, and its implementing regulations, which also imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy and security of individually identifiable health information of covered entities subject to the rule, such as health plans, healthcare clearinghouses and certain healthcare providers as well as their business associates, independent contractors of a covered entity that perform certain services involving the use or disclosure of individually identifiable health information on their behalf;
- the U.S. Physician Payments Sunshine Act and its implementing regulations, which requires certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children's Health Insurance Program, a federal healthcare program for eligible children whose parents earn too much to qualify for Medicaid but cannot afford private insurance coverage, with specific exceptions, to report annually to the government information related to certain payments and other transfers of value to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and
- analogous U.S. state laws and regulations, including: state anti-kickback and false claims laws, which may apply to Bavarian Nordic's business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities; state and local laws requiring the registration of pharmaceutical sales representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus complicating compliance efforts.

Failure to comply with these laws, where applicable, can result in the imposition of significant civil, criminal and administrative penalties, damages, fines, disgorgement, individual imprisonment, exclusion from participating in federal health care programs, additional reporting requirements and oversight, if Bavarian Nordic becomes subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws, contractual damages, reputational harm, diminished profits and future earnings, and the curtailment of Bavarian Nordic's operations.

Rules and legislation covering more or less the same subject matter as those in the EU and United States apply also to other countries. These can differ between jurisdictions and can sometimes result in lower or higher exposure in those countries other than in the EU and United States. Where a product is sold in a number of countries, compliance efforts can therefore be complicated.

## 8.2 Post-Approval Requirements

The FDA and the relevant regulatory authorities in the EU strictly regulate marketing, labeling, advertising and promotion of products that are placed on the market in their respective territories. Products may be promoted only for the approved indications and in accordance with the provisions of the approved label. The regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

In addition, biopharmaceutical and other entities involved in the manufacture and distribution of approved products are required to register their establishments with the relevant regulatory authorities and are subject to periodic unannounced inspections by them to confirm compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and often require prior approval of the relevant regulatory authorities before being implemented. Regulations laid down by he FDA and the regulatory authorities in the EU also require investigation and correction of any deviations from the requirements of cGMP and impose reporting and documentation requirements upon the holder of a marketing authorization and any third-party manufacturers that the holder of a marketing authorization may decide to use.

## 8.3 Healthcare Reform

In the United States, the EU and other jurisdictions, there have been, and Bavarian Nordic expects there will continue to be, a number of legislative and regulatory changes and proposed changes to the healthcare system that could affect Bavarian Nordic's future results of operations. In particular, there have been and continue to be a number of initiatives at the U.S. federal and state levels that seek to reduce healthcare costs and improve the quality of healthcare. For example, in March 2010, the ACA (Patient Protection and Affordable Care Act) was enacted, which substantially changed the way healthcare is financed by both governmental and private payors. Among the provisions of the ACA, those of greatest importance to the pharmaceutical and biotechnology industries include the following:

- an annual, non-deductible fee payable by any entity that manufactures or imports certain branded prescription drugs and biologic agents (other than those designated as orphan drugs), which is apportioned among these entities according to their market share in certain government healthcare programs;
- extension of manufacturers' Medicaid rebate liability;
- expansion of eligibility criteria for Medicaid programs;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- a licensure framework for follow on biosimilar products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct, comparative clinical effectiveness research, along with funding for such research; and
- establishment of a Center for Medicare Innovation at the CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending.

Since its enactment, there have been judicial and U.S. Congressional challenges to certain aspects of the ACA, and Bavarian Nordic expects there will be additional challenges and amendments to the ACA in the future. Some of the provisions of the ACA have yet to be fully implemented, while certain provisions have been subject to judicial and Congressional challenges, as well as efforts by the current administration to repeal or replace certain aspects of the ACA. It is unclear how appeals and other efforts to repeal and replace ACA will impact ACA and Bavarian Nordic's business. Bavarian Nordic cannot predict the ultimate content, timing or effect of healthcare reform legislation or regulation or the impact of potential legislation or regulation on Bavarian Nordic.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. These new laws and other potential legislation may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on customers for Bavarian Nordic's products, and accordingly, Bavarian Nordic's financial operations.

Individual states in the United States have also increasingly passed legislation and implemented regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. In addition, regional healthcare authorities and individual hospitals are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs.

### *8.4 Coverage and Reimbursement*

Sales of products developed from Bavarian Nordic's vaccines and product candidates, if approved, depend, in part, on the extent to which such products, and procedures for the administration of such products, are covered and reimbursed by third-party payors, such as government healthcare authorities, government healthcare programs, commercial insurance and managed healthcare organizations. Assuming coverage is obtained, patients and their treating physicians may not utilize a product if available reimbursement is inadequate to cover all or a significant portion of the costs associated with using the product, or if co-payments are required that patients find prohibitively expensive.

Third-party payors determine which procedures and products they will cover and establish reimbursement levels and services. In the United States, no uniform policy of coverage and reimbursement for products and related procedures exist among third-party payors and obtaining coverage and adequate reimbursement from one payor does not guarantee that other payors will provide similar coverage or reimbursement. Therefore, coverage and reimbursement for products can differ significantly from payor to payor. Further, obtaining and maintaining adequate reimbursement for products and services may be difficult and requires expensive pharmacoeconomic studies to justify coverage and reimbursement or the level of reimbursement for the product compared to other therapies.

In addition, third-party payors are increasingly limiting coverage or reducing reimbursements for medical products and services and, in some cases, refusing to provide coverage altogether. Further, the U.S. Government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products.

Governments influence the price of medicinal products in the EU through their pricing and reimbursement rules and control of national healthcare systems that fund a large part of the cost of those products to consumers. Some jurisdictions operate positive and negative list systems under which

products may only be marketed once a reimbursement price has been agreed. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost-effectiveness of a particular product candidate to currently available therapies. Other EU member states allow companies to fix their own prices for medicines but monitor and control company profits. Governments in the EU continue to put downward pressure on healthcare costs in the EU countries and influence the price of medicinal products through their authority to regulate pricing and reimbursement.

# 9. OPERATING AND FINANCIAL REVIEW

*The following is a discussion of Bavarian Nordic's results of operations for the financial years ended December 31, 2019, 2018 and 2017, and the financial position as of the end of said periods. Shareholders and prospective investors should read this discussion in conjunction with the consolidated financial statements of the Company as of December 31, 2019 (the "**Consolidated IFRS Financial Statements for 2019**") with comparative figures as of and for the financial years ended December 31, 2018 and 2017 (the "**Consolidated IFRS Financial Statements for the financial years 2019, 2018 and 2017**"), see section F.1 "Consolidated IFRS Financial Statements for the financial years 2019, 2018 and 2017" and the related independent auditor's report in respect of the extraction of financial information, the pro forma financial information for the financial year ended December 31, 2019 and the notes thereto, see section F.2 "2019 Pro Forma Financial Information". Some of the information contained in the following discussion contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. Shareholders and prospective investors should read section 4.2, "Special notice regarding forward-looking statements" for a discussion of the risks and uncertainties related to those statements. Shareholders and prospective investors should also read section 1, "Risk Factors" for a discussion of certain risk factors that may affect the Company's business, results of operations, financial position and/or cash flow. This Prospectus contains a financial measure that is not defined or recognized under IFRS, as adopted by the EU. For further information, including a reconciliation of the non-IFRS financial measure presented in this Prospectus to the nearest IFRS measure, see section 9.9, "Non-IFRS financial measure".*

*The Acquisition of the product rights to Rabipur/RabAvert and Encepur was completed effective as of December 31, 2019. The Acquisition of the product rights to Rabipur/RabAvert and Encepur has been included in the Consolidated IFRS Financial Statements for 2019 for the Company as of December 31, 2019 only and not for a full calendar year. If the Acquisition of the product rights to Rabipur/RabAvert and Encepur had been effected January 1, 2019, the Acquisition would have significantly impacted the results of operations, financial position and cash flows. Therefore, the Company also presents pro forma consolidated financial information for the period January 1, 2019 – December 31, 2019 (the "2019 Pro Forma Financial Information"). See section 9.4, "Financial review of the 2019 Pro Forma Financial Information" for further details.*

*Other than as specifically set out in section 9.1, "Overview of selected consolidated financial information", no information included in this Prospectus regarding Bavarian Nordic has been extracted from financial statements audited, reviewed or examined by the independent auditors of Bavarian Nordic.*

## 9.1 Overview of selected consolidated financial information

The selected consolidated financial information set forth below, comprising selected consolidated income statement items, balance sheet items and cash flow statement items for Bavarian Nordic has been extracted from the Consolidated IFRS Financial Statements of the Company for the financial years ended December 31, 2019, 2018 and 2017 and the 2019 Pro Forma Financial Information.

The Consolidated IFRS Financial Statements of Bavarian Nordic for the financial years ended December 31, 2019, 2018 and 2017 have been prepared in accordance with IFRS as adopted by the EU and additional requirements under the Danish Financial Statements Act, except for the non-IFRS financial measure. For further information, including a reconciliation of the non-IFRS measure presented in this Prospectus to the nearest IFRS measure see section 9.9, "*Non-IFRS financial measure*". The 2019 Pro Forma Financial Information has been compiled on the basis of the stated criteria in section F.2.4, "Introduction to unaudited 2019 Pro Forma Financial Information" and in accordance with the accounting policies as described in the audited Consolidated IFRS Financial Statement for 2019 of the Company.

The accounting policies have been consistently applied for all financial years, except for the implementation of IFRS 16 "Leases" as of January 1, 2019, where the Company has used the simplified retrospective transition approach without restating comparative figures for 2018 and 2017. The implementation of IFRS 16 "Leases" improved the income before interest and tax for 2019 by DKK 2 million compared to applying previous accounting policy for leases according to IAS 17.

| | | Financial year ending December 31 | | |
|---|---|---|---|---|
| ***Income Statement*** | | | | |
| DKK million | 2019 Pro Forma Financial Information | 2019 | 2018 | 2017 |
| Revenue | 2,153 | 662 | 501 | 1,370 |
| Production costs | 1,280 | 354 | 255 | 291 |
| **Gross profit** | **873** | **308** | **246** | **1,079** |
| Sales and distribution costs | 385 | 54 | 34 | 40 |
| Research and development costs | 414 | 409 | 386 | 518 |
| Administrative costs | 184 | 173 | 180 | 168 |
| **Total operating costs** | **983** | **636** | **600** | **726** |
| **Income before interest and tax** | **(110)** | **(328)** | **(354)** | **353** |
| Financial income | 22 | 22 | 35 | 56 |
| Financial expenses | 52 | 39 | 37 | 107 |
| **Income before company tax** | **(140)** | **(345)** | **(356)** | **302** |
| Tax on income for the year | 20 | 2 | 6 | 121 |
| **Net profit for the year** | **(160)** | **(347)** | **(362)** | **181** |
| ***Key figures*** | | | | |
| EBITDA (non-IFRS) | 220 | (271) | (312) | 391 |
| ***Key ratios*** | | | | |
| Gross profit margin | 41% | 47% | 49% | 79% |
| EBITDA margin | 10% | (41)% | (62)% | 29% |
| Earnings per share | (4.9) | (10.7) | (11.2) | 5.7 |

## Key ratios

The selected financial ratios have been prepared in accordance with the Danish Finance Society's guideline and have been defined as follows:

- Gross profit margin – Gross profit as a percentage of revenue;
- EBITDA margin – Earnings before interest, tax, depreciation, amortization as a percentage of revenue, and
- Earnings per share – Net profit for the year divided by the weighted average of the issued shares in the financial year.

As of December 31

***Balance Sheet***

| DKK million | 2019 Pro Forma Financial Information | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Product rights | 5,186 | 5,459 | – | – |
| Other intangible assets | 25 | 25 | 33 | 33 |
| Property, plant and equipment | 846 | 846 | 519 | 348 |
| Right-of-use-assets | 61 | 61 | – | – |
| Financial assets | 1 | 1 | 1 | 1 |
| **Total non-current assets** | **6,119** | **6,392** | **553** | **382** |
| Development projects for sale | – | – | 22 | 22 |
| Inventories | 101 | 101 | 79 | 112 |
| Receivables | 246 | 82 | 90 | 53 |
| Securities | 175 | 175 | 2,051 | 2,301 |
| Cash and cash equivalents | 2,046 | 297 | 266 | 283 |
| **Total current assets** | **2,568** | **655** | **2,508** | **2,771** |
| **Total assets** | **8,687** | **7,047** | **3,061** | **3,153** |
| **Equity** | **4,776** | **1,865** | **2,181** | **2,506** |
| Deferred consideration for product rights | 3,151 | 3,151 | – | – |
| Debt to credit institutions | 398 | 1,771 | 646 | 402 |
| Other liabilities | 362 | 260 | 234 | 245 |
| **Total liabilities** | **3,911** | **5,182** | **880** | **647** |
| **Total equity and liabilities** | **8,687** | **7,047** | **3,061** | **3,153** |

Financial year ending December 31

***Cash flow***

| DKK million | 2019 Pro Forma Financial Information | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Cash flow from operating activities | 131 | (276) | (289) | 216 |
| Cash flow from investment activities | (810) | (810) | 17 | (1,345) |
| Cash flow from financing activities | 2,457 | 1,115 | 246 | 613 |
| **Cash flow of the year** | **1,778** | **29** | **(26)** | **(516)** |
| Cash and cash equivalents as of January 1 | 266 | 266 | 283 | 854 |
| Currency adjustments | 2 | 2 | 9 | (55) |
| **Cash and cash equivalents as of December 31** | **2,046** | **297** | **266** | **283** |

## 9.2 *Impact of Bavarian Nordic's results of operations for 2019 and financial position as of December 31, 2019 from the Acquisition of the product rights to Rabipur/ RabAvert and Encepur*

The Acquisition of the product rights to Rabipur/RabAvert and Encepur has not impacted Bavarian Nordic's results of operations for 2019, because the Closing Date for the Acquisition was December 31, 2019. The value of the acquired assets was DKK 5,459 million and has been recognized as "Product

rights" under non-current assets at December 31, 2019. The acquisition price is divided between an upfront payment and future milestone payments. The present value as of December 31, 2019 of future potential milestone payments has been recognized as "Deferred consideration for product rights" under non-current and current liabilities. On December 30, 2019, the Company drew a Bridge Loan of EUR 185 million to fund part of the upfront payment to GSK of EUR 307.6 million. The Bridge Loan will be repaid once the Offering has been completed. The Bridge Loan has been recognized as "Current debt to credit institutions". For a description of the Bridge Loan see section 18.2, "*Bridge Loan*". The Company's net cash position was reduced by DKK 935 million following the draw down on the Bridge Loan and payment of the upfront payment of the acquired vaccines on December 31, 2019.

The Acquisition of the product rights to Rabipur/RabAvert and Encepur will not change the Company's presentation of financial statements and notes for 2020 compared to the Consolidated IFRS Financial Statements for 2019.

### 9.3 Principal factors affecting Bavarian Nordic's results of operations

When preparing the consolidated financial statements, the Company makes a number of accounting estimates, judgements and assumptions which form the basis for recognition and measurement of income, expenses, assets and liabilities.

The judgements, estimates and assumptions made are based on historical experience and other factors which the Company assesses to be reliable, but which, by their nature, are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

#### 9.3.1 Revenue recognition

Recognition of revenue is based on judgement of the elements in the concluded contracts, which among other factors include an assessment of whether services and goods have been delivered to the customer and have value to the customer on a standalone basis, whether the contract value can be allocated to the elements on a reasonable basis and whether the Company has further obligations in relation to the delivered element of the contract and it is likely that the economic benefits associated with the element will flow to the Company. Upfront payments and milestone payments allocated to the specific element of the contracts are recognized as revenue when the recognition criteria are met. Payments that cannot be allocated on a reasonable basis are recognized as revenue over the term of the contract.

Revenue from milestone payments is recognized if all attached obligations are fulfilled and it is certain that there will be no demand for these to be refunded. Revenue from development contracts is recognized in line with the execution and delivery of the work. Research and development grants without a profit element are offset against the costs of research and development at the time when a final and binding right to the grant has been obtained.

#### 9.3.2 Production overheads and impairment of inventory

Production overheads are measured on the basis of actual costs. The basis of the actual costs is reassessed regularly to ensure that they are adjusted for changes in the utilization of production capacity, production changes and other relevant factors. Biological living material is used, and the measurements and assumptions for the estimates made may be incomplete or inaccurate, and unexpected events or circumstances may occur, which may cause the actual outcomes to later deviate from these estimates. It may be necessary to change previous estimates as a result of changes to the assumptions on which

the estimates were based or due to new information or subsequent events, for which certainty could not be achieved in the earlier estimates.

Estimates material to the financial reporting are made in the determination of the quantity and any impairment of inventories as a result of technical obsolescence as well as expiry date of the products.

### 9.3.3 Development costs

Development costs are generally expensed in the year they occur. Capitalization of development costs does not begin until it is deemed realistic that the product can be completed and marketed, and it is highly likely that a marketing authorization will be received. In addition, there must be sufficient certainty that the future earnings to Bavarian Nordic will cover not only production costs, direct distribution and administrative costs, but also the development costs.

### 9.3.4 Share-based compensation

The Company has granted share-based incentive plans to its employees. The fair value of the granted plans is recognized in the income statement over the period to the final vesting based on the number of instruments that are expected to vest. The fair value at the grant date is determined using the Black-Scholes model. Calculating the fair value using the Black-Scholes model requires a number of parameters some of which are based on the Company's best estimate. Parameters that require the Company's estimates are in particular the expected life of the instrument, the volatility rate and risk-free interest rate.

### 9.3.5 Acquisition of product rights to Rabipur/RabAvert and Encepur

The Acquisition of the product rights to Rabipur/RabAvert and Encepur from GSK does not include any legal entities, and no other tangible asset, no employees and no working capital has been transferred to the Company as part of the transaction. The Company has assessed that the Acquisition of the product rights to Rabipur/RabAvert and Encepur constitutes an asset deal and not a business combination. In determining the accounting treatment, the Company has performed judgments and estimates determining the method for determination of the cost price of each of the two acquired product rights, including the method and period of amortization and method for recognition of deferred consideration.

Cost of acquired product rights are measured at cash consideration and present value of any deferred payments for those rights including contingent payments if and when they are probable and can be measured reliably. The asset purchase agreement with GSK includes a sales milestone of EUR 25 million as part of the total consideration for the acquired product rights. As per December 31, 2019 the Company does not judge the sales milestone to be probable and therefore the sales milestone has not been recognized as either part of the product rights nor the deferred consideration for product rights.

### 9.3.6 Amortization of product rights to Rabipur/RabAvert and Encepur

When determining the amortization period for the two acquired product rights to Rabipur/RabAvert and Encepur the Company needs to make an assessment of expected useful economic lives. In this assessment, the Company takes, among other things, the following components into consideration (i) the maturity of the products acquired, (ii) the development in the market the acquired products are targeting, (iii) the current competitors, (iv) clinical development of new competing products and (v)

the entry barriers to the market due to advanced production technology. Based on the above assessment the Company has decided to amortize both of the acquired product rights on a straight-line basis over a useful life of 20 years.

## 9.4 *Financial review of the 2019 Pro Forma Financial Information*

The review is based on Bavarian Nordic's 2019 Pro Forma Financial Information (presented in full on pages F-67 – F-78) compared to the Consolidated IFRS Financial Statements for 2019.

The 2019 Pro Forma Financial Information presents the total of Bavarian Nordic's business as presented in the Consolidated IFRS Financial Statements of the Company for 2019 in the column "2019" and pro forma adjustments as if the Acquisition of the product rights to Rabipur/RabAvert and Encepur had been effected January 1, 2019 (including the Offering and repayment of the Bridge Loan) in the column "Pro Forma Adjustments". The activities related to the product rights to Rabipur/RabAvert and Encepur constituted an insignificant share of GSK's vaccine business and revenue and cost were divided between a significant number of legal entities involved in the manufacturing and commercialization of the vaccines and therefore a full profit and loss does not exist for the acquired vaccines. The inclusion of the activities related to the product rights to Rabipur/RabAvert and Encepur have been captured in the "Pro Forma Adjustments" column constituting actual 2019 figures for GSK's revenue related to the Rabipur/RabAvert and Encepur vaccines and the estimated costs of goods sold and operating expenses would Bavarian Nordic had run these activities during 2019.

The adjustments assume a full operating sales organization, purchase of Rabipur/RabAvert and Encepur vaccines, distribution and other services from GSK in accordance with the transition agreement as described in section 18.1.2, "Transition agreement" and the manufacturing and supply agreement as described in section 18.1.3, "*Manufacturing and supply agreement*".

The Consolidated IFRS Financial Statements of the Company for 2019 includes the recognition of the product rights for Rabipur/RabAvert and Encepur, the deferred consideration for the product rights and the obtained Bridge Loan recognized as of December 31, 2019 when the Acquisition was completed. The Offering and the repayment of the Bridge Loan have been included in the Pro Forma Financial Information since the Company would have completed a rights issue and repaid the Bridge Loan during 2019 had the Acquisition of the product rights taken place as of January 1, 2019.

The Company expects that the first milestone payments under the asset purchase agreement will be payable during second half of 2020. These payments have *not* been included as a Pro Forma Adjustment. Milestone payments are recognized as deferred consideration for product rights in the balance sheet. Investments and costs related to the ramp-up and the technology transfer from GSK to the Company will start in 2020. These investments and costs have *not* been included in the Pro Forma Financial Information. The Rabipur/RabAvert and Encepur vaccines will be manufactured by GSK and purchased by the Company in concurrence with the sale hence the Pro Forma Financial Information does *not* include build-up of inventory by the Company.

The adjustment column below shows the development from the Consolidated IFRS Financial Statements for 2019 to 2019 Pro Forma Financial Information. The adjustments are further described in sections 9.4.1, "*Income statement*", section 9.4.2, "*Balance sheet*" and section 9.4.3, "*Cash flow*".

Financial year ending December 31

***Income Statement***

| DKK million | 2019 Unadjusted | Pro Forma Adjustments | 2019 Pro Forma Financial Information |
|---|---|---|---|
| Revenue | 662 | 1,491 | 2,153 |
| Production costs | 354 | 926 | 1,280 |
| **Gross profit** | **308** | **565** | **873** |
| Sales and distribution costs | 54 | 331 | 385 |
| Research and development costs | 409 | 5 | 414 |
| Administrative costs | 173 | 11 | 184 |
| **Total operating costs** | **636** | **347** | **983** |
| **Income before interest and tax** | **(328)** | **218** | **(110)** |
| Financial income | 22 | – | 22 |
| Financial expenses | 39 | 13 | 52 |
| **Income before company tax** | **(345)** | **205** | **(140)** |
| Tax on income for the year | 2 | 18 | 20 |
| **Net profit for the year** | **(347)** | **187** | **(160)** |
| ***Key figures*** | | | |
| EBITDA (non-IFRS) | (271) | 491 | 220 |
| ***Key ratios*** | | | |
| Gross profit margin | 47% | 38% | 41% |
| EBITDA margin | (41)% | 33% | 10% |
| Earnings per share [1)] | (10.7) | 5.8 | (4.9) |

[1)] Based on weighted average number of issued shares for 2019, excluding newly issued shares in the rights issue

As of December 31

***Balance Sheet***

| DKK million | 2019 Unadjusted | Pro Forma Adjustments | 2019 Pro Forma Financial Information |
|---|---|---|---|
| Product rights | 5,459 | (273) | 5,186 |
| Other intangible assets | 25 | – | 25 |
| Property, plant and equipment | 846 | – | 846 |
| Right-of-use-assets | 61 | – | 61 |
| Financial assets | 1 | – | 1 |
| **Total non-current assets** | **6,392** | **(273)** | **6,119** |
| Inventories | 101 | – | 101 |
| Receivables | 82 | 164 | 246 |
| Securities | 175 | – | 175 |
| Cash and cash equivalents | 297 | 1,749 | 2,046 |
| **Total current assets** | **655** | **1,913** | **2,568** |
| **Total assets** | **7,047** | **1,640** | **8,687** |

Continues →

As of December 31

***Balance Sheet*** (continued)

| DKK million | 2019 Unadjusted | Pro Forma Adjustments | 2019 Pro Forma Financial Information |
|---|---|---|---|
| **Equity** | **1,865** | **2,911** | **4,776** |
| Deferred consideration for product rights | 3,151 | – | 3,151 |
| Debt to credit institutions | 1,771 | (1,373) | 398 |
| Other liabilities | 260 | 102 | 362 |
| **Total liabilities** | **5,182** | **(1,271)** | **3,911** |
| **Total equity and liabilities** | **7,047** | **1,640** | **8,687** |

Financial year ending December 31

***Cash flow***

| DKK million | 2019 Unadjusted | Pro Forma djustments | 2019 Pro Forma Financial Information |
|---|---|---|---|
| Cash flow from operating activities | (276) | 407 | 131 |
| Cash flow from investment activities | (810) | – | (810) |
| Cash flow from financing activities | 1,115 | 1,342 | 2,457 |
| **Cash flow of the year** | **29** | **1,749** | **1,778** |
| Cash and cash equivalents as of January 1 | 266 | – | 266 |
| Currency adjustments | 2 | – | 2 |
| **Cash and cash equivalents as of December 31** | **297** | **1,749** | **2,046** |

### 9.4.1 *Income statement*

#### 9.4.1.1 *Revenue*

Revenue from sale of Rabipur/RabAvert and Encepur has been included by DKK 1,491 million based on actual 2019 sales figures received from GSK. The aggregate revenue is split by DKK 963 million relating to the sale of Rabipur/RabAvert and DKK 528 million relating to the sale of Encepur.

#### 9.4.1.2 *Production costs*

Cost of goods sold for Rabipur/RabAvert and Encepur amounts to DKK 653 million, calculated based on the number of vaccines sold in 2019 received from GSK and the prices from the manufacturing and supply agreement as described in section 18.1.3, "*Manufacturing and supply agreement*" according to which GSK will manufacture Rabipur/RabAvert and Encepur until the technology transfer has been completed. Production costs also include amortization of the product rights to Rabipur/RabAvert and Encepur amounting to DKK 273 million. The two product rights related to Rabipur/RabAvert and Encepur – recognized at a total value of DKK 5,459 million at initial recognition – are amortized on a straight-line basis over their expected useful lives of 20 years amounting to DKK 273 million on an annual basis.

#### 9.4.1.3 *Gross profit and gross profit margin*

Sale from Rabipur/RabAvert and Encepur increased the consolidated gross profit by DKK 565 million, corresponding to a gross profit margin of 38%. The gross profit margin is negatively impacted by 18%-point as a result of the amortization of the Rabipur/RabAvert and Encepur product rights. The gross profit margin for the combined business amounts to 41%.

#### 9.4.1.4 *Sales and distribution costs*

The distribution service is provided by GSK for the first year of operation. The service is charged according to the manufacturing and supply agreement and amounts to DKK 179 million. The sales and commercial activities related to the product rights to Rabipur/RabAvert and Encepur will be handled by Bavarian Nordic and are expected to incur an annual cost of DKK 152 million.

#### 9.4.1.5 *Research and development costs*

The research and development costs in the 2019 Pro Forma Financial Information amounts to DKK 5 million for annual based filing fees to regulatory authorities.

#### 9.4.1.6 *Administrative costs*

The integration of Rabipur/RabAvert and Encepur will require setup of new legal entities as well as expansion of current support functions within IT, HR, Legal and Finance. External costs are also expected to increase mostly related to insurance, and IT. The increase in administrative costs amounts to DKK 11 million.

#### 9.4.1.7 *EBITDA (non-IFRS) and EBITDA margin*

Compared to actual 2019, the 2019 Pro Forma Financial Information improves EBITDA (non-IFRS) by DKK 491 million and the EBITDA margin increases to 10%.

#### 9.4.1.8 *Financial income and financial expenses*

In the 2019 Pro Forma Financial Information, fees and interest expenses on the Bridge Loan have been included with DKK 13 million. The Bridge Loan is expected to be repaid in the second quarter. Interest expenses have been included for one quarter.

#### 9.4.1.9 *Tax on income for the year*

The 2019 Pro Forma Financial Information includes a tax expense of DKK 45 million by applying a Danish tax rate of 22% to the taxable income generated by the product rights to Rabipur/RabAvert and Encepur, as the taxable profit is expected to be realized in the Danish parent company. As applicable under the Danish tax regulation, the taxable profit is reduced by 60% as it is partly offset by tax losses carried forward. The net tax expense is DKK 18 million.

#### 9.4.1.10 *Net profit for the year*

Inclusion of the business related to the product rights to Rabipur/RabAvert and Encepur has a positive impact on the Company's net profit for the year of DKK 187 million.

### 9.4.2 Balance sheet

#### 9.4.2.1 Product rights

The product rights to Rabipur/RabAvert and Encepur are recognized with a total value of DKK 5,459 million at initial recognition, as further described in section 9.5.2.1, "*Product rights*". The two product rights are amortized on a straight-line basis over their expected useful lives of 20 years. The annual amortization amounts to DKK 273 million.

#### 9.4.2.2 Receivables

Account receivables related to the product rights to Rabipur/RabAvert and Encepur consist of the sales for the month of December assuming 30 days of sales outstanding and amount to DKK 164 million.

#### 9.4.2.3 Cash and cash equivalents

Cash and cash equivalents increase by DKK 1,749 million. The cash flow from operating activities related to the product rights to Rabipur/RabAvert and Encepur contributed with DKK 407 million.
The cash flow from financing activities is contributing with DKK 1,342 million, the net proceeds from the Offering being higher than the amount to be repaid on the Bridge Loan.

#### 9.4.2.4 Equity

The net proceeds from the Offering are expected to amount to DKK 2,724 million. The net result from taking over the business related to the product rights to Rabipur/RabAvert and Encepur is expected to total DKK 187 million. The net result has been added to equity.

#### 9.4.2.5 Debt to credit institutions

The adjustment under "Debt to credit institutions" relates to the repayment of the Bridge Loan of DKK 1,373 million following the completion of the Offering.

#### 9.4.2.6 Other liabilities

Account payables related to the product rights to Rabipur/RabAvert and Encepur are calculated as the cost of goods sold related to revenue from December and one month of the operating expenses assuming 30 days of payables outstanding, in total DKK 102 million.

### 9.4.3 Cash flow

The net cash flow from the business related to the product rights to Rabipur/RabAvert and Encepur is positive by DKK 1,749 million following completion of the Offering and the cash flow from the operating activities.

#### 9.4.3.1 Cash flow from operating activities

The cash flow from operating activities amounts to DKK 407 million and includes outstanding payment of revenue from December of DKK 164 million and debt to creditors of DKK 102 million.

#### 9.4.3.2 Cash flow from investment activities

There are no changes to cash flow from investment activities.

#### 9.4.3.3 Cash flow from financing activities

The cash flow from financing activities consist of the net proceeds from the Offering of DKK 2,724 million partly offset by repayment of the Bridge Loan DKK 1,382 million.

### 9.5 Financial review of the financial year 2018 and 2019

The financial review is based on Bavarian Nordic's consolidated financial information for the year as of December 31, 2019 compared to the consolidated financial information for the year as of December 31, 2018.

### 9.5.1 Income statement

#### 9.5.1.1 Revenue

Revenue in 2019 was DKK 662 million compared to DKK 501 million in 2018. Revenue from product sales was DKK 324 million in 2019 compared to DKK 361 million in 2018. The product sale was composed of sale of 20 smallpox bulk drug substance batches to the U.S. Government, the same number of batches as sold in 2018 generating a revenue of DKK 323 million. Sale of smallpox final drug products to other customers amounted to DKK 0 million in 2019 compared to DKK 38 million in 2018. Revenue from ongoing development contracts amounted to DKK 338 million in 2019 and was mostly related to revenue from BARDA for running the Phase 3 study for the freeze-dried smallpox vaccine and the funding to support qualification of the new fill and finish facility as well as the transfer and validation of the freeze-drying production process and the funding from the DOD for the development of a prophylactic vaccine against the equine encephalitis virus. In 2018, the majority of the revenue from ongoing development contracts, DKK 140 million, was generated by the Janssen agreements related to development of the product candidates for HPV, HBV and HIV.

#### 9.5.1.2 Production costs

The production costs for the financial years ended December 31, 2019 and 2018 are shown in the following table:

| | Financial year ending December 31 | |
|---|---|---|
| DKK million | 2019 | 2018 |
| Cost of goods sold, smallpox vaccine | 87 | 95 |
| Contract costs | 219 | 74 |
| Other production costs | 48 | 86 |
| **Production costs** | **354** | **255** |

For 2019, production costs amounted to DKK 354 million compared to DKK 255 million for 2018. Costs related directly to revenue amounted to DKK 306 million, split between cost of goods sold and contract costs. In 2018 the costs related directly to revenue amounted to DKK 169 million.

Other production costs in 2019 totaled DKK 48 million of which write-down on inventory amounted to DKK 4 million. In 2018 other production costs totaled DKK 86 million of which write-down on inventory amounted to DKK 55 million. The higher write-down in 2018 was primarily explained by a write-down of the remaining PROSTVAC bulk and finished products as well as a provision for four smallpox bulk drug substance batches that failed first validation. In 2019, it became clear that none of the four batches could be released for fill of commercial vials, but three of the batches were usable for the validation of the freeze-drying production process, funded by BARDA, hence the write-down allocated to those batches was reversed in 2019.

#### 9.5.1.3 *Gross profit and gross profit margin*

The gross profit in 2019 amounted to DKK 308 million compared to DKK 246 million in 2018.

The gross profit margin on the smallpox vaccine sale was 73% in 2019 and 74% in 2018, whereas the gross profit margin on the contract sale was 35% in 2019 and 47% in 2018.

#### 9.5.1.4 *Sales and distribution costs*

Sales and distribution costs were DKK 54 million for 2019 compared to DKK 34 million in 2018 mainly due to consultancy costs related to setup of a commercial organization following the acquisition of the product rights from GSK.

#### 9.5.1.5 *Research and development costs*

The research and development costs for the years ended December 31, 2019 and 2018 are shown in the following table:

| | Financial year ending December 31 | |
|---|---|---|
| DKK million | 2019 | 2018 |
| Research and development costs incurred this year | 628 | 460 |
| Of which: | | |
| Contract costs recognized as production costs | (219) | (74) |
| **Total research and development costs** | **409** | **386** |

The total research and development spending in 2019 amounted to DKK 628 million and included contract costs recognized as production costs amounting to DKK 219 million. In 2018, the total research and development spending amounted to DKK 460 million and included contract costs recognized as production costs amounting to DKK 74 million.

Following the Company's decision not to invest further in the development of CV301, apart from supporting the continuation of stage 1 of the bladder study and supporting the ongoing investigator-led studies, the CV301 development project for sale was fully written down. The write-down of DKK 22 million was recognized as research and development costs.

#### 9.5.1.6 Administrative costs

Administrative costs in 2019 were in line with the administrative costs for 2018. All transaction costs that were directly attributable to the Acquisition of the product rights to Rabipur/RabAvert and Encepur from GSK were capitalized together with the product rights. All costs occurred in 2019 that were directly attributable to the Offering were recognized on equity as of December 31, 2019 by DKK 2 million.

#### 9.5.1.7 EBITDA (non-IFRS) and EBITDA margin

EBITDA (non-IFRS) for 2019 was a loss of DKK 271 million compared to a loss of DKK 312 million in 2018. The EBITDA margin in 2019 was negative by 41% compared to a negative margin of 62% in 2018.

#### 9.5.1.8 Financial income and financial expenses

In 2019, financial income amounted to DKK 22 million and consisted mainly of interest income on securities of DKK 16 million and net gains on derivative financial instruments of DKK 6 million. In 2018, financial income amounted to DKK 35 million and consisted mainly of interest income on securities of DKK 22 million and a net foreign exchange gain of DKK 12 million.

In 2019, financial expenses were DKK 39 million and consisted mainly of net negative fair value adjustments on securities of DKK 15 million and interest expenses on debt of DKK 19 million. Arrangement and closing fees attributable to the Bridge Loan were offset in the loan amount and will be expensed in 2020 (amortized costs). Ticking fee was expensed in 2019. In 2018, financial expenses were DKK 37 million and consisted primarily of net negative fair value adjustments on securities of DKK 19 million and interest expenses on debt of DKK 15 million.

#### 9.5.1.9 Tax on income for the year

Tax on income in 2019 was an expense of DKK 2 million compared to DKK 6 million in 2018. The tax expense related to taxes paid by the German subsidiary, partly offset by refund of prepaid taxes in the dissolved subsidiary Bavarian Nordic Washington D.C., Inc. The Danish tax loss carry forward related to the result for the year was fully written down in 2018 and 2019 and led to a negative tax rate of 1.5% in 2018 and 0.6% in 2019. The recognized deferred tax asset remained at DKK 0 million as of December 31, 2019. The deferred tax asset will be reassessed once the Company starts generating positive taxable income. The Company retains the right to use the tax loss carry forward (tax value of DKK 362 million) and the other tax assets (tax value of DKK 64 million) that have not been recognized at December 31, 2019.

#### 9.5.1.10 Net profit for the year

The net profit in 2019 was a loss of DKK 347 million compared to a loss of DKK 362 million in 2018.

### 9.5.2 Balance sheet

#### 9.5.2.1 Product rights

Costs of the acquired product rights to Rabipur/RabAvert and Encepur are measured at the upfront payment paid December 31, 2019 and the present value of the future milestone payments as of December 31, 2019. Furthermore, costs of the acquired product rights include transaction costs that are directly attributable to the Acquisition. The total costs of the Acquisition of the product rights amount to DKK 5,459 million divided between Rabipur/RabAvert and Encepur with DKK 3,140 million and DKK 2,319 million, respectively.

The asset purchase agreement with GSK includes a sales milestone of EUR 25 million. As per December 31, 2019, the Company does not judge the sales milestone to be probable and therefore the sales milestone has not been recognized as part of the product rights. The two product rights will be amortized on a straight-line basis over their expected useful lives of 20 years.

#### *9.5.2.2 Property, plant and equipment*

Property, plant and equipment increased by DKK 327 million from 2018 to 2019 mostly relating to the new fill and finish facility investment.

The Company has implemented IFRS 16 "Leases" using the simplified retrospective transition approach without restating comparative figures. As of December 31, 2019, the right-of-use-assets amounted to DKK 61 million.

#### *9.5.2.3 Securities*

As of December 31, 2019, investments in securities amounted to DKK 175 million compared to an investments in securities amounting to DKK 2,051 million as of December 31, 2018. The investment in securities was reduced by DKK 903 million to fund part of the Acquisition of the product rights to Rabipur/RabAvert and Encepur. During 2019 the Company also sold securities to fund the negative result for the year and the significant investments in the new fill and finish facility.

The Company's securities are primarily invested in short-term Danish government and mortgage bonds.

#### *9.5.2.4 Cash and cash equivalents*

As of December 31, 2019, cash and cash equivalents amounted to DKK 297 million compared to DKK 266 million as of December 31, 2018.

The Company's cash and cash equivalents are primarily invested in deposit accounts with highly rated banks.

#### *9.5.2.5 Equity*

After the transfer of the profit for the year, equity was DKK 1,865 million as of December 31, 2019, compared to DKK 2,181 million as of December 31, 2018. The reduction followed the negative net profit in 2019.

#### *9.5.2.6 Deferred consideration for product rights*

The present value of the future milestone payments to GSK for the Acquisition of the product rights to Rabipur/RabAvert and Encepur has been recognized as deferred consideration with an amount of DKK 3,151 million, split between non-current and current liabilities with DKK 2,691 million and DKK 460 million, respectively. The deferred consideration does not include the sales milestone of EUR 25 million included in the asset purchase agreement with GSK as the Company does not assess the sales milestone to be probable as of December 31, 2019.

#### *9.5.2.7 Debt to credit institutions*

The Company utilized the Bridge Loan Facility on December 30, 2019 and the proceeds were applied towards partly financing the upfront payment to GSK. The Bridge Loan will be repaid in full on completion of the Offering. The Bridge Loan is denominated in EUR and subject to interest calculated as the aggregate of a variable base rate and a margin. The variable base rate is EURIBOR, which is based on the

interbank market rate for Euros. The margin is adjusted upwards during the tenor of the Bridge Loan ranging from initially 1.25 to 2.75% per annum.

As of December 31, 2019, debt to credit institutions included the First EIB Loan (as defined in section 18.5, "*European Investment Bank loan agreements*") of DKK 372 million and a mortgage loan of DKK 25 million. As of December 31, 2018, debt to credit institutions amounted to DKK 646 million, including the First EIB Loan of DKK 372 million, mortgage loan of DKK 27 million and security lending of DKK 247 million (explained in section 10, "*Consolidated Prospective Financial Information*"). The security lending was settled in January 2019.

### 9.5.3 Cash flow

The net cash flow in 2019 was positive by DKK 29 million compared to a negative net cash flow in 2018 of DKK 26 million. Adjusted for net sale of securities, see section 9.5.2.3, "*Securities*", the net cash flow in 2019 was negative by DKK 1,832 million compared to a negative cash flow in 2018 of DKK 255 million. The cash flow from operating, investment and financing activities are discussed below.

#### 9.5.3.1 Cash flow from operating activities

Net cash spend on operating activities totaled DKK 276 million in 2019 compared to a net spend of DKK 289 million in 2018. The cash spend in both 2019 and 2018 was mainly driven by the net loss for the year.

#### 9.5.3.2 Cash flow from investment activities

In 2019, cash flow from investment activities was negative by DKK 810 million. The upfront payment to GSK for purchase of the product rights amounted to DKK 2,308 million and the investment in property, plant and equipment and other intangible assets amounted to DKK 363 million. The investment spend was only partially offset by the net sale of securities, amounting to DKK 1,861 million. The main investment in property, plant and equipment was the new fill and finish facility. In 2018, the cash flow from investment activities was positive by DKK 17 million, as the net sale of securities amounted to DKK 229 million while investment in property, plant and equipment and intangible assets totaled DKK 212 million.

#### 9.5.3.3 Cash flow from financing activities

The cash provided by financing activities in 2019 totaled DKK 1,115 million, mainly from draw down on the Bridge Loan Facility partly offset by settlement of the security lending transactions resulting in a repayment of DKK 247 million. The cash provided by financing activities in 2018 totaled DKK 246 million, primarily from security lending (discussed further in section 11, "*Capital Resources*").

### 9.6 Financial review of the financial years 2017 and 2018

The financial review is based on Bavarian Nordic's consolidated financial information for the year ended December 31, 2018 compared to the consolidated financial information for the year as of December 31, 2017.

### 9.6.1 Income statement

#### 9.6.1.1 Revenue

Revenue in 2018 was DKK 501 million compared to DKK 1,370 million in 2017. Revenue from product sales was DKK 361 million compared to DKK 874 million in 2017, corresponding to a decrease of 59%.

The product sale in 2018 was composed of DKK 323 million from sale of 20 smallpox bulk drug substance batches to the U.S. Government compared to 55 batches in 2017 with a revenue of DKK 823 million. Sale of smallpox final drug products to other customers amounted to DKK 38 million in 2018 compared to DKK 51 million in 2017. Revenue from ongoing development contracts amounted to DKK 140 million with the majority generated by the Janssen agreements related to development of the product candidates for HPV, HBV and HIV. In 2017 the revenue from ongoing development contracts amounted to DKK 97 million. The PROSTVAC upfront option payment from Bristol Myers Squibb of DKK 399 million was recognized as revenue in 2017 following the discontinuation of the Prospect Study in September 2017.

#### 9.6.1.2 *Production costs*

The production costs for the financial years ended December 31, 2018 and 2017 are shown in the following table:

| | Financial year ending December 31 | |
|---|---|---|
| DKK million | 2018 | 2017 |
| Cost of goods sold, smallpox vaccine | 95 | 221 |
| Contract costs | 74 | 62 |
| Other production costs | 86 | 8 |
| **Production costs** | **255** | **291** |

Production costs amounted to DKK 255 million in 2018 compared to DKK 291 million in 2017. Costs related directly to revenue amounted to DKK 169 million in 2018 compared to DKK 283 million in 2017, split between cost of goods sold and contract costs. The decrease in cost of goods sold compared to 2017 was 57%, which corresponds to the decrease in product sale.

In 2018 other production costs totaled DKK 86 million of which write-down on inventory amounted to DKK 55 million. The write-down was primarily related to a write-down of the remaining PROSTVAC bulk and finished products as well as a provision for smallpox bulk batches that failed first validation.

In 2017 other production costs totaled DKK 8 million of which write-down on inventory amounted to DKK 23 million. The residual amount (negative) related to allocation of production overheads. In the fourth quarter of 2017, the production schedule was changed to include further batches, which led to a better allocation of production overheads as a fixed amount was allocated to more batches. The production overheads per batch are calculated during budget rounds based on expected activity level as outlined in the production schedule. If the activity level exceeds the expected level, the allocation of production overheads will increase and the other production costs (residual) will decrease correspondingly. In 2017, this resulted in other production costs only amounting to DKK 8 million.

#### 9.6.1.3 *Gross profit and gross profit margin*

The gross profit decreased by 77% from DKK 1,079 million in 2017 to DKK 246 million in 2018. Gross profit in 2017 was positively impacted by the recognition of the PROSTVAC upfront option payment from Bristol Myers Squibb of DKK 399 million (100% margin) and a higher sale of smallpox vaccines to the U.S. Government.

The gross profit margin on the smallpox vaccine sale was 74% in 2018 and 75% in 2017, whereas the profit margin on the sale from development contracts was 47% in 2018 and 36% in 2017.

### 9.6.1.4 *Sales and distribution costs*

Sales and distribution costs in 2018 were DKK 34 million compared to DKK 40 million in 2017. During 2018 the commercial organization and activities related to the rest of world sales of smallpox vaccines were scaled down.

### 9.6.1.5 *Research and development costs*

The research and development costs for the years ended December 31, 2018 and 2017 are shown in the following table:

| | Financial year ending December 31 | |
|---|---|---|
| DKK million | 2018 | 2017 |
| Research and development costs incurred this year | 460 | 519 |
| Of which: | | |
| Contract costs recognized as production costs | (74) | (62) |
| Capitalized development costs regarding the smallpox development project | – | (8) |
| Expensing (amortization) of prior-year costs attributable to the smallpox development project | – | 69 |
| **Total research and development costs** | **386** | **518** |

The total research and development spending in 2018 was DKK 460 million and included contract costs recognized as production costs amounting to DKK 74 million. Incurred project costs related to subsequent years of DKK 33 million recognized in the balance sheet as of December 31, 2018 were not included in the above amount.

The total research and development spending in 2017 was DKK 519 million and included contract costs recognized as production costs amounting to DKK 62 million. Following the discontinuation of the Prospect Study in September 2017, the PROSTVAC development project for sale was expensed by DKK 48 million as research and development costs.

Up until 2017 research and development costs related to regulatory approval of the smallpox vaccine in the United States were capitalized and expensed (amortized) in concurrence with sale of smallpox vaccine primarily to the U.S. Government. As of December 31, 2017, the smallpox development project was fully expensed. In 2017, the expensing amounted to DKK 69 million, recognized as research and development costs. From 2018 and onwards the sale of smallpox vaccine has not generated any research and development costs.

### 9.6.1.6 *Administrative costs*

Administrative costs were DKK 180 million in 2018 compared to DKK 168 million in 2017. The higher administrative costs were mainly driven by business development related consultancy costs.

### 9.6.1.7 *EBITDA (non-IFRS) and EBITDA margin*

EBITDA (non-IFRS) for 2018 was a loss of DKK 312 million compared to a positive EBITDA (non-IFRS) of DKK 391 million in 2017. The decrease of DKK 833 million in gross profit was partly offset by lower spend on operating costs amounting to DKK 126 million.

The EBITDA margin for 2018 was negative by 62% compared to a positive EBITDA margin of 29% in 2017.

#### 9.6.1.8 Financial income and financial expenses

In 2018, financial income amounted to DKK 35 million and consisted mainly of interest income on securities of DKK 22 million and net foreign exchange gain of DKK 12 million. In 2017 financial income amounted to DKK 56 million constituted of income on securities of DKK 21 million, net gain on derivative financial instruments of DKK 13 million and adjustment of net present value of provisions of DKK 22 million. The adjustment was a full reversal of a long-term incentive agreement containing milestones linked to the clinical development and commercialization of PROSTVAC. The reversal followed the discontinuation of the Prospect Study.

In 2018, financial expenses were DKK 37 million and consisted of net negative fair value adjustments on securities of DKK 19 million, interest expenses on debt of DKK 14 million and net loss on derivative financial instruments of DKK 4 million. In 2017 the financial expenses amounted to DKK 107 million following a net loss of DKK 89 million on foreign exchange rates following the drop in the USD exchange rate, net negative fair value adjustments on securities of DKK 12 million and DKK 6 million in interest on debt. The First EIB Loan was drawn in October 2017 and caused the interest expenses to increase from DKK 6 million in 2017 to DKK 14 million in 2018.

#### 9.6.1.9 Tax on income for the year

In 2018, tax on the income for the year was DKK 6 million and related to taxes paid by the German subsidiary. In 2018, the negative result before tax led to a negative effective tax rate of 1.5% as the Danish tax loss carry forward related to the result for the year was fully written down. In 2017, the tax on income for the year amounted to DKK 121 million as the remaining tax asset recognized in the Company was fully written down following the discontinuation of the Prospect Study in September 2017. The write down of the tax asset resulted in an effective tax rate of 40.0%.

#### 9.6.1.10 Net profit for the year

The net profit in 2018 was a loss of DKK 362 million compared to a gain of DKK 181 million in 2017. The result in 2017 was positively impacted by the recognition of the PROSTVAC upfront option payment of DKK 399 million (100% margin) and a higher sale of smallpox vaccines to the U.S. Government compared to 2018.

### 9.6.2 Balance sheet

#### 9.6.2.1 Product rights

Bavarian Nordic had no acquired product rights in 2017 and 2018.

#### 9.6.2.2 Property, plant and equipment

Property, plant and equipment increased by DKK 171 million from December 31, 2017 to December 31, 2018 following the fill and finish facility investment.

#### 9.6.2.3 Securities

As of December 31, 2018, investments in securities amounted to DKK 2,051 million, of which DKK 246 million was used for security lending. As of December 31, 2017, investments in securities amounted to DKK 2,301 million. The reduced investment in securities and the security lending funded the negative result for the year and the significant investments in the fill and finish facility.

The Company's securities are primarily invested in short-term Danish government and mortgage bonds.

#### 9.6.2.4 Cash and cash equivalents

As of December 31, 2018, cash and cash equivalents amounted to DKK 266 million compared to DKK 283 million as of December 31, 2017.

The Company's cash and cash equivalents are primarily invested in deposit accounts with highly rated banks.

#### 9.6.2.5 Equity

After the transfer of the profit for the year, equity was DKK 2,181 million as of December 31, 2018 compared to DKK 2,506 million as of December 31, 2017. The reduction followed the negative net profit for the year 2018.

#### 9.6.2.6 Deferred consideration for product rights

Bavarian Nordic had no deferred consideration for product rights in 2017 and 2018.

#### 9.6.2.7 Debt to credit institutions

As of December 31, 2018, debt to credit institutions amounted to DKK 646 million, including security lending of DKK 247 million. Adjusted for the security lending the debt to credit institutions corresponded to the debt as of December 31, 2017 which was DKK 402 million. The First EIB Loan was drawn in October 2017 amounted to DKK 372 million.

### 9.6.3 Cash flows

The net cash flow in 2018 was negative by DKK 26 million compared to a negative net cash flow in 2017 of DKK 516 million. Adjusted for net sale of securities of DKK 229 million in 2018 and net investment in securities of DKK 1,266 million in 2017, the net cash flow in 2018 was negative by DKK 255 million compared to a positive cash flow in 2017 of DKK 750 million. The cash flows from operating, investment and financing activities are discussed below.

### 9.6.3.1 Cash flow from operating activities

Net cash spend on operating activities totaled DKK 289 million in 2018 compared to a net contribution of DKK 216 million in 2017. The cash spend in 2018 was mainly driven by the net loss for the year whereas the cash contribution in 2017 was driven by the positive result and very low year-end account receivables.

### 9.6.3.2 Cash flow from investment activities

In 2018, cash flow from investment activities was positive by DKK 17 million as the net sale of securities, amounting to DKK 229 million, offset the investment in property, plant and equipment and intangible assets of DKK 212 million. The main investment in 2018 was the fill and finish facility. In 2017, there was a net spend on investment activities of DKK 1,345 million, as the net investment in securities amounted to DKK 1,266 million while investment in property, plant and equipment and intangible assets totaled DKK 79 million.

### 9.6.3.3 Cash flow from financing activities

The cash provided by financing activities in 2018 totaled DKK 246 million, primarily from security lending. In 2017, the cash flow from financing activities totaled DKK 613 million mainly provided by proceeds from the First EIB Loan of DKK 372 million drawn in October 2017 and a private placement of DKK 207 million.

## 9.7 Contractual obligations

The following table summarizes Bavarian Nordic's main contractual obligations as of December 31, 2019.

| | Payment due by period | | | |
|---|---|---|---|---|
| ***Contractual obligations*** | | | | |
| DKK million | Within 1 year | Between 1-5 years | After 5 years | Total |
| Deferred consideration [1)] | 470 | 3,062 | – | 3,532 |
| Debt to credit institutions [2)] | 1,402 | 408 | 15 | 1,825 |
| Lease liabilities [2)] | 14 | 44 | 7 | 65 |
| **Total** | **1,886** | **3,514** | **22** | **5,422** |

[1)] Nominal value of future, probable milestone payments
[2)] Includes scheduled interest payments

## 9.8 Off-balance sheet arrangements

Except as disclosed in note 31 "Contingent liabilities and other contractual obligations" in the Consolidated IFRS Financial Statements for 2019 as described in F.1.3 "*Consolidated IFRS financial statements and notes*", Bavarian Nordic has not entered into any off-balance sheet arrangements. The off-balance sheet arrangements relate to collaborative agreements with research partners for long-term research projects and other contractual obligations. As of and from January 1, 2019, lease obligations and other rental commitments are recognized in Bavarian Nordic's statement of financial position.

## 9.9 Non-IFRS financial measure

The non-IFRS financial measure presented in this Prospectus is not a measure of financial performance under IFRS, as adopted by the European Union, but a measure used by management to monitor the underlying performance of Bavarian Nordic. The Company has presented the non-IFRS measure in this Prospectus because it considers it as an important supplemental measure of its performance and believes that it is widely used by investors in comparing performance between companies.

**EBITDA (non-IFRS)**

Earnings before interests, taxes, depreciation and amortization, as calculated by Bavarian Nordic, represents revenue minus production costs, sales and distribution costs, research and development costs, and administrative costs excluding depreciation and amortization and can be calculated as shown below.

Financial year ending December 31

***Reconciliation of EBITDA (non-IFRS)***

| DKK million | 2019 Pro Forma Financial Information | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Income before interest and tax | (110) | (328) | (354) | 353 |
| Depreciation and amortization | 330 | 57 | 42 | 38 |
| **EBITDA (non-IFRS)** | **220** | **(271)** | **(312)** | **391** |

# 10. CONSOLIDATED PROSPECTIVE FINANCIAL INFORMATION

## 10.1 Statement by the Board of Directors and the Executive Management of the Company

The consolidated prospective financial information for 2020 is based on a number of assumptions, many of which are outside of the Company's control or influence. The principal assumptions upon which the Board of Directors and the Executive Management have based the consolidated prospective financial information are described in section 10.3, "*Methodology and assumptions*".

The consolidated prospective financial information for the financial year ending December 31, 2020 represents the best estimates of the Board of Directors and the Executive Management as at the date of this Prospectus. Bavarian Nordic's actual results of operations for the financial year ending December 31, 2020 may differ from the consolidated prospective financial information for 2020, since anticipated events may not occur as expected. The variation may be material. Shareholders and prospective investors should read the consolidated prospective financial information for 2020 in this section in conjunction with the sections under the headings "*Risk factors*" and "*Special notice regarding forward-looking statements*".

The forecast of the consolidated prospective financial information for the financial year ending December 31, 2020 has been compiled and prepared on a basis which is both comparable with historical financial information and consistent with the Company's accounting policies.

Copenhagen, March 6, 2020

***Board of Directors***

Gerard van Odijk
*Chairman*

Anders Gersel Pedersen
*Deputy Chairman*

Elizabeth McKee Anderson
*Board member*

Frank Verwiel
Board member

Peter Kürstein
*Board member*

Anne Louise Eberhard
*Board member*

Erik G. Hansen
*Board member*

***Executive Management***

Paul Chaplin
*President & Chief Executive Officer*

## 10.2 Introduction

The consolidated prospective financial information for the financial year ending December 31, 2020 has been prepared on a basis which is both comparable with historical financial information and consistent with the Company's accounting policies. Such information is the responsibility of the Board of Directors and Executive Management.

The consolidated prospective financial information included in this Prospectus is necessarily based upon a number of assumptions and estimates that, while prepared with numerical specificity and considered reasonable, are inherently subject to significant business, operational, economic, political, legal and competitive uncertainties and contingencies, many of which are beyond the Company's influence, and upon assumptions with respect to future business decisions that are subject to change.

The expectations as to future developments set forth herein may deviate substantially from actual developments, and the actual results of operations are likely to deviate, and may deviate materially, from the consolidated prospective financial information for the financial year ending December 31, 2020, since anticipated events may not occur as expected. Accordingly, shareholders and prospective investors should treat this information with caution and not place undue reliance on the expectations set forth below.

## 10.3 Methodology and assumptions

The consolidated prospective financial information for the year ending December 31, 2020 reflects Bavarian Nordic's estimates and assumptions concerning Bavarian Nordic's performance through December 31, 2020. The consolidated prospective financial information has been prepared on the basis of the Company's accounting policies, which are in accordance with IFRS as adopted by the EU and as set out in the notes to the audited consolidated financial statements of the Company for the financial year as of December 31, 2019 incorporated by reference, see section 15.3, "*Cross reference*". The consolidated prospective financial information for the year ending December 31, 2020 has been prepared in conjunction with Bavarian Nordic's normal budgeting and forecasting procedures.

The consolidated prospective financial information for the year ending December 31, 2020 has been prepared on the basis of a large number of assumptions and estimates, which are subject to numerous and significant uncertainties. Certain of the assumptions, estimates, uncertainties and contingencies relating to the consolidated prospective financial information is wholly or partly within the Company's control, while others are outside of its control, including those related to changes in market, legal, fiscal, political or economic conditions, changes in currency exchange rates and actions by competitors and customers.

The key principal assumptions and estimates made in preparing the consolidated prospective financial information are presented below. However, the list is not exhaustive, and it is possible that one or more of the assumptions or estimates will fail to materialize or prove to be incorrect. Bavarian Nordic's results of operations could also deviate materially from the consolidated prospective financial information as a result of other factors, including, but not limited to, those described under section 1, "*Risk Factors*" and section 4.2, "*Special notice regarding forward-looking statements*". For additional information regarding factors that could have a substantial effect on Bavarian Nordic's results of operations, see section 9.3, "*Principal factors affecting Bavarian Nordic's results of operations*".

For the purpose of preparing the consolidated prospective financial information for the year ending December 31, 2020, the following principal assumptions have been applied:

**Revenue**

Bavarian Nordic's revenue may be impacted by organic growth in individual markets and changes in exchange rates for the currencies of Bavarian Nordic's sales. Thus, Bavarian Nordic's estimate concerning revenue growth for the year ending December 31, 2020 is principally based upon and assumes:

- Rabipur/RabAvert and Encepur combined revenue demonstrating low-to-mid single digit growth from the previous estimated 2019 combined revenue of approximately DKK 1,300 million (partly within the Company's control).
- Revenue from the smallpox vaccine business, mainly related to sales from uncommitted contracts, but also from committed contract work related to the ongoing Phase 3 study of the freeze-dried smallpox vaccine and validation of the new fill and finish facility (partly within the Company's control).
- Janssen milestone payment related to expected EMA approval of the Ebola vaccine (outside the Company's control).
- Currency exchange rates of DKK 6.6 per 1 USD and DKK 7.45 per 1 EUR (outside the Company's control).

Revenue guidance for 2020 is based on previously communicated growth rates and estimated 2019 sales level. In 2019, GSK posted revenues of approximately DKK 1,490 million from combined sales of the vaccines, compared to Bavarian Nordic's estimate of approximately DKK 1,300 million. The higher revenue is primarily ascribed to better performance for Rabipur/RabAvert, which has benefitted from competitor stock-outs during 2019 and is not considered to reoccur in the short term. Bavarian Nordic does not anticipate stock-outs to affect the sales in 2020 and thus maintain expectations to grow combined sales of the new products by a low-to-mid single digit rate annually from the previous estimated 2019 level.

Bavarian Nordic's expectations regarding revenue in 2020 does not assume any material impact from changes in the market landscape, competitive situation (and any additional impact this may have on pricing) or regulatory changes in existing product areas or markets (outside of the Company's control). Any negative development of this nature may have a material adverse impact on revenue growth.

**Other operating income**

Sale of the Priority Review Voucher, granted to the Company by the FDA in connection with the approval of JYNNEOS, was announced in December 2019 and final closing of the transaction occurred in January 2020. The net proceeds received in January 2020 amounted to DKK 620 million and will be presented as other operating income in the consolidated financial statements for 2020.

**Research and development costs**

Research and development costs of approximately DKK 500 million is expected for 2020 of which approximately DKK 150 million is expected to be recognized as production costs as the investment is deployed towards contract work (within the Company's control).

**EBITDA (non-IFRS)**

In addition to the Company's assumptions as to revenue, other operating income and research and development costs, the Company's expectations regarding EBITDA (non-IFRS) are based on the following assumptions:

- Supply of Rabipur/RabAvert and Encepur from GSK at cost plus a margin (partly within the Company's control).
- Supply of other services from GSK, e.g. distribution, during 2020 (partly within the Company's control).

- Gradual establishment of a commercial organization (within the Company's control).
- Initiation of expansion of the manufacturing facility in Kvistgaard in 2020 to start the work on the technology transfer process moving manufacturing of Rabipur/RabAvert and Encepur from GSK to Bavarian Nordic (within the Company's control).
- Including other operating income of DKK 620 million from sale of the Priority Review Voucher
- Other non-recurring transition costs of approximately DKK 75 million related to the acquired vaccines Rabipur/RabAvert and Encepur (within the Company's control).

**Cash preparedness**

Assumptions relate to:

- Cash flow from operations (partly within the Company's control).
- Net proceeds from the Offering of DKK 2,724 million (within the Company's control).
- Repayment of the DKK 1,380 million Bridge Loan (plus accrued interest and customary breakage costs) following the completion of the Offering (within the Company's control).
- Payment of DKK 375 million milestones to GSK once submission for transfer or re-registration of the marketing authorizations for the three main markets for Rabipur/RabAvert and Encepur respectively has taken place during 2020 (partly within the Company's control).
- Investments of approximately DKK 300 million of which approximately DKK 180 million is related to the acquired vaccines Rabipur/RabAvert and Encepur, including capitalization of expected tech-transfer costs (partly within the Company's control).

## *10.4 Consolidated prospective financial information*

Based principally on the assumptions and methodology as set out above, the expectations for Bavarian Nordic's performance for the year ending December 31, 2020 is revenue of approximately DKK 1,900 million, EBITDA (non-IFRS) of approximately DKK 675 million and cash and cash equivalents is expected to be approximately DKK 1,350 million by December 31, 2020.

# 11. CAPITAL RESOURCES

## 11.1 Capitalization and indebtedness

The following table sets out Bavarian Nordic's consolidated capitalization and indebtedness as of December 31, 2019. The table should be read in conjunction with the Consolidated IFRS Financial Statements for 2019 and the notes thereto included in section F.1, "*Consolidated IFRS Financial Statements for the financial years 2019, 2018 and 2017*" and the related independent auditor's report in respect of the extraction of financial information, and in conjunction with section 9, "*Operating and financial review*":

### Capitalization

| DKK million | As of December 31, 2019 | Adjusted for the Offering as of December 31, 2019 [1] |
|---|---|---|
| ***Equity*** | | |
| Share capital | 324 | 324 |
| Treasury shares | (1) | (1) |
| Retained earnings | 1,460 | 4,184 |
| Other reserves | 82 | 82 |
| **Total equity [2]** | **1,865** | **4,589** |
| ***Current debt*** | | |
| Guaranteed | – | – |
| Secured | 2 | 2 |
| Unguaranteed/Unsecured [3] | 1,387 | 14 |
| **Total current debt** | **1,389** | **16** |
| ***Non-current debt*** | | |
| Guaranteed | – | – |
| Secured | 23 | 23 |
| Unguaranteed/Unsecured | 420 | 420 |
| **Total non-current debt** | **443** | **443** |
| **Total capitalization** | **3,697** | **5,048** |

### Net indebtedness

| | | |
|---|---|---|
| ***Long-term liabilities*** | | |
| Deferred consideration for product rights | 2,691 | 2,691 |
| Lease liabilities | 48 | 48 |
| European Investment Bank | 372 | 372 |
| Mortgage loan | 23 | 23 |
| **Total long-term liabilities** | **3,134** | **3,134** |

[1] Explains actual expected adjustments, not pro forma

[2] The equity will increase by DKK 2,724 million once the Offering completes

[3] The Bridge Loan will be repaid once the Offering completes

Continues →

***Net indebtedness*** (continued)

| DKK million | As of December 31, 2019 | Adjusted for the Offering as of December 31, 2019 [1] |
|---|---|---|
| ***Short-term liabilities*** | | |
| Deferred consideration for product rights | 460 | 460 |
| Lease liabilities | 14 | 14 |
| Bridge loan [3] | 1,373 | – |
| Mortgage loan | 2 | 2 |
| **Total short-term liabilities** | **1,849** | **476** |
| Securities | 175 | 175 |
| Cash and cash equivalents [4] | 297 | 1,639 |
| **Net indebtedness** | **4,511** | **1,796** |
| **Undrawn credit lines** | **244** | **244** |

[1] Explains actual expected adjustments, not pro forma

[2] The equity will increase by DKK 2,724 million once the Offering completes

[3] The Bridge Loan will be repaid once the Offering completes

[4] The cash and cash equivalents will increase by the difference between the net proceeds from the Offering (DKK 2,724 million) and the repayment of the Bridge Loan (DKK 1,382 million incl. DKK 9 million in amortized costs)

The Bridge Loan was utilized on December 30, 2019 and the proceeds (DKK 1,382 million/EUR 185 million) were applied towards financing part of the upfront payment of EUR 307.6 million paid in cash on December 31, 2019 to GSK. The Bridge Loan (plus accrued interest and customary breakage costs) will be fully repaid once the Offering has been completed using the proceeds from the Offering.

The Company has two unsecured loans from EIB. Both loans are five-year bullet loans. The First EIB Loan was drawn in October 2017 (DKK 372 million) and the Second EIB Loan on EUR 30 million can be drawn once the Offering has been completed and at the latest in August 2020. The Second EIB Loan in presented as "Undrawn credit lines" in the above table. For a description of the EIB Loan Agreements see section 18.5, "*European Investment Bank loan agreements*".

Deferred consideration for product rights equals present value of the future milestones that the Company anticipates paying to GSK due to the Acquisition of the product rights to Rabipur/RabAvert and Encepur.

On January 27, 2020, the Company announced the completion of the sale of its Priority Review Voucher to an undisclosed buyer. Upon completion, the Company received a cash consideration of USD 95 million.

The Company may in the future need additional capital and may seek to obtain further financing through issuance of new shares or debt financing.

The Company has no reason to believe that there has been any material change to its actual capitalization since December 31, 2019, other than changes resulting from the ordinary course of business as mentioned above.

# 12. BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND KEY EMPLOYEES

## 12.1 Overview

The Company has a two-tier governance structure consisting of the Board of Directors and the Executive Management. The two management bodies are separate and have no overlapping members. The Executive Management is supported by four key employees (the "**Key Employees**" and together with the Executive Management, the "**Management Team**").

## 12.2 Board of Directors

The Board of Directors is responsible for the Company's overall and strategic management and supervises the Company's activities, management and organization. The Board of Directors appoints and dismisses the members of the Executive Management, who are responsible for the day-to-day operations.

In accordance with article 17 of the Articles of Association, the General Meeting shall elect 4 to 7 members to the Board of Directors. The members of the Board of Directors elected by the General Meeting are elected for a term of one year and may be re-elected.

Employees of a Danish company that have employed at least 35 employees for the preceding three years, are entitled to elect members of the Board of Directors corresponding to one-half of the directors elected by the general meeting of shareholders. Board members elected by the employees are elected for terms of a maximum of four years and they hold the same rights and obligations as any member of a board of directors elected by the general meeting. Currently, the Company has no employee representatives on the Board of Directors, but the Company has received a request for a yes/no vote for establishment of employee representation, and employee representation may thus be established going forward.

The Board of Directors elects its chairman (the "**Chairman**") and deputy chairman (the "**Deputy Chairman**").

The Company believes that the members of the Board of Directors possess the professional skills and experience required to serve as members of the Board of Directors and to supervise and manage a company with shares admitted to trading and official listing on Nasdaq Copenhagen.

The following table sets forth an overview of the members of the Board of Directors:

| Name | Position | Independence assessment* | Year of first appointment | Expiration of term |
|---|---|---|---|---|
| **Gerard van Odijk** | Chairman | Independent | 2008 | 2020 |
| **Anders Gersel Pedersen** | Deputy Chairman | Independent | 2010 | 2020 |
| **Elizabeth McKee Anderson** | Board member | Independent | 2017 | 2020 |
| **Frank Verwiel** | Board member | Independent | 2016 | 2020 |
| **Peter Kürstein** | Board member | Independent | 2012 | 2020 |
| **Anne Louise Eberhard** | Board member | Independent | 2019 | 2020 |
| **Erik G. Hansen** | Board member | Independent | 2010 | 2020 |

* The assessment of independence is based on the criteria set out in the Danish corporate governance recommendations.

## 12.3 Executive Management

Pursuant to article 18 of the Articles of Association, the Board of Directors appoints the members of the Executive Management. The Executive Management shall consist of one or more persons, who are responsible for the day-to-day management of the Company's business.

President and chief executive officer, Paul Chaplin, is the member of the Company's Executive Management.

The Company believes that the current member of the Executive Management has the professional skills and experience required for the position in the Company and to manage a company with shares admitted to trading and official listing on Nasdaq Copenhagen.

### 12.3.1 Biographies

***Paul Chaplin*** (born in 1967) joined the Company in 1999, he was appointed executive vice president in 2004 and was appointed to his current position in 2014. Prior to joining Bavarian Nordic, Paul Chaplin worked for several years both in the United Kingdom and Australia developing vaccines against infectious diseases. Paul Chaplin holds a Ph.D. in immunology from Bristol University.

## 12.4 Key Employees

The Key Employees support the Executive Management in the day-to-day management within their functional areas.

The following table presents the Company's current Key Employees:

| Name | Position | Year of first employment with Bavarian Nordic | Year of appointment to current position(s) in Bavarian Nordic |
|---|---|---|---|
| **Henrik Juuel** | Executive Vice President, Chief Financial Officer | 2018 | 2018 |
| **Henrik Birk** | Executive Vice President, Chief Operating Officer | 2008 | 2017 |
| **Tommi Kainu** | Executive Vice President, Chief Business Officer | 2017 | 2017 |
| **Jean-Christophe May** | Executive Vice President, Chief Commercial Officer | 2020 | 2020 |

In addition, on January 28, 2020, the Company announced that Laurence De Moerlooze will from April 2020 join Bavarian Nordic's Management Team as Executive Vice President and Chief Medical Officer. Laurence De Moerlooze has since 2017 been the Vice President and Global Program Lead for vaccines against Zika virus and Norovirus for Takeda Vaccines. Prior to joining Takeda Vaccines, she worked at GSK for more than 15 years, holding various leading roles in medical affairs and vaccine development working with numerous life-saving vaccines including Rabipur/Rabavert and Encepur. Laurence De Moerlooze holds a PhD degree of Sciences from the University of Liége. As Laurence De Moerlooze will only join the Company in April 2020, she is not for purposes of this Prospectus considered a Key Employee.

### 12.4.1 Biographies

***Henrik Juuel*** (born in 1965) joined Bavarian Nordic in 2018 from Orexo AB, a specialty pharmaceutical company listed on the Nasdaq Stockholm, where he served as chief financial officer since 2013. Prior to Orexo, Henrik Juuel held senior positions at several large and diverse organizations including group chief financial officer of Virgin Mobile (Central and Eastern Europe), chief financial officer of GN ReSound, and chief financial officer of NNE Pharmaplan. Henrik Juuel began his career at Novo Nordisk in 1992, and during his 15-year tenure with the company held several senior finance positions in Denmark and abroad. Henrik Juuel holds an M.Sc. in Economics and Finance from Aarhus University.

***Henrik Birk*** (born in 1974) joined Bavarian Nordic in 2008 from Coloplast where he held various management positions focusing on supply chain and production. Since joining Bavarian Nordic, he has served in positions of increasing responsibility, most recently as Senior Vice President, Strategy, People and Organization. Henrik Birk holds a Master of Business Administration from Henley Business School.

***Tommi Kainu*** (born in 1972) joined Bavarian Nordic in 2017 from Boston Consulting Group where he served for almost two decades, most recently as Partner and Managing Director. Prior to Boston Consulting Group, Tommi Kainu worked at the National Institutes of Health in the Cancer Genetics Branch of the National Human Genome Research Institute. Tommi Kainu obtained his MD and PhD degrees from the University of Tampere Medical School.

***Jean-Christophe May*** (born in 1967) joined Bavarian Nordic in 2020 from GSK and has 25 years of experience from commercial roles within GSK. He most recently served as vice president and global vaccines commercialization leader at GSK where he was responsible for global strategic leadership and performance of several lifesaving vaccines, including Rabipur/RabAvert and Encepur. Jean-Christophe May is Doctor of Pharmacy from University of Lille II and holds an MBA from HEC Paris.

### 12.5 Business address

The business address of the members of the Board of Directors, the Executive Management and the Key Employees is Philip Heymans Alle 3, DK-2900 Hellerup.

### 12.6 Statement on past records

During the past five years, none of the members of the Company's Board of Directors, the Executive Management or the Key Employees have been (i) convicted of fraudulent offenses or subject to any public incrimination and/or sanctions by statutory regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of an issuer's board of directors, executive management or supervisory body or being in charge of an issuer's management or other affairs.

Within the five last years, in addition to the positions already disclosed, Erik G. Hansen has been the deputy chairman of Fertin Pharma A/S, a member of the board of directors of DK Resi Propco Nørrebro 51 50-52 Holding ApS, DK Resi Propco Nørrebro 51 50-52 ApS and MedCan Pharma A/S, Gerard van Odijk has been a member of the executive management of Cureaos BV, chairman of the board of directors of CRSG Denmark ApS and a member of the board of directors of Merus BV, Anne Louise Eberhard has been a member of the board of directors of Sampension Livsforsikring A/S, Sampensions Administrationsselskab A/S and Solix Group AB, Henrik Juuel has been the member of the board of directors of Metricorr ApS and Kibion AB and Henrik Bird has been a member of the board of directors of Tree Holding ApS.

With the exception of the persons mentioned below, during the past five years, none of the members of the Board of Directors, the Executive Management or the Key Employees have been members of the corporate management, board of directors, been founders or senior employees in companies which have commenced insolvency proceedings or other forms of receivership, entered into a composition with creditors which is not binding on individual creditors, or entered into solvent liquidation, although Erik G. Hansen has been chairman of the board of directors of NPT A/S (dissolved by a voluntary winding-up) and a member of the executive management of Berco Aps (dissolved by a voluntary winding-up) and Henrik Juuel has been a member of the board of directors of Mogens Balslev. Rådgivende Ingeniører A/S under konkurs (currently under compulsory liquidation).

## *12.7 Statement on conflict of interest*

There are no family ties among the members of the Board of Directors, the Executive Management or the Key Employees.

None of the members of the Board of Directors or the Executive Management have positions in other companies that could result in a conflict of interest via-à-vis such companies, either because the Company has an equity interest in such company or because Bavarian Nordic and the company concerned have an ongoing business relationship.

The Company is not aware of any member of the Board of Directors or the Executive Management who has been appointed to their current position pursuant to an agreement or understanding with the major shareholders, customers, suppliers or other parties.

# 13. MAJOR SHAREHOLDERS

## 13.1 Shareholders

The Company only has one share class and all shares carry the same voting rights.

As at the date of this Prospectus, the Company has received notification that the shareholders holding 5% or more of the Company's share capital and/or voting rights are:

- ATP and
- JJDC directly. JJDC is a wholly-owned subsidiary of Johnson & Johnson Inc.

Other than as set out above, the Company is not aware of any person who, directly or indirectly, owns an interest in the Company's share capital or voting rights that is notifiable under Danish law.

ATP who holds 1,807,231 shares in the Company (as of December 31, 2019) agrees with the Company that the Acquisition is the right strategic decision for the Company particularly, because the production technology of the acquired vaccines is identical to the one used to produce Bavarian Nordic's smallpox vaccine JYNNEOS and it improves utilization of Bavarian Nordic's manufacturing site in Kvistgaard. ATP has also expressed support for the rights issue as necessary to fund the Acquisition.

The Company does not have knowledge of any arrangements, the operations of which may result in a change of control of the Company.

## 14. RELATED PARTY TRANSACTIONS

The members of Board of Directors and the Executive Management are considered related parties of the Company as they exercise a significant influence on the Company's operations. Related parties also include such persons' relatives as well as undertakings in which such persons have significant interests.

Except in relation to compensation and benefits received as a result of membership of the Board of Directors or employment with the Company, the Company has not undertaken any significant transactions with the members of the Board of Directors or the Executive Management, or their respective related parties since January 1, 2020.

Besides the remuneration to the Board of Directors and the Executive Management and the share-based pay11 ments described in section 16.4, "Incentive programmes", there have been no transactions with related parties for 12 the financial years ended December 31, 2017, 2018 and 2019.

# 15. OTHER INFORMATION CONCERNING BAVARIAN NORDIC'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND DIVIDENDS

## 15.1 Financial statements

The consolidated IFRS financial statements of the Company for the financial year as of December 31, 2019 with comparative figures for the financial year ended December 31, 2018 and December 31, 2017 prepared solely for the purpose of this Prospectus are included in the F-pages (F-2 – F-66) and have been derived and compiled from the Company's audited consolidated financial statements for 2019, 2018 and 2017 which are incorporated into this Prospectus by reference, see section 15.3, "*Cross reference*".

## 15.2 Names and address of the Company's statutory auditor

The consolidated financial statements of the Company incorporated by reference in this Prospectus for the year ended December 31, 2019, 2018 and 2017 have been prepared in accordance with IFRS as adopted by the EU and have been audited by Deloitte Statsautoriseret Revisionspartnerselskab.

The name and address of the Company's independent auditors are as follows:

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S
Denmark

Deloitte Statsautoriseret Revisionspartnerselskab is represented by Martin Norin Faarborg, State Authorized Public Accountant, and Eskild Nørregaard Jakobsen, State Authorized Public Accountant, both members of FSR – Danish Auditors.

The independent auditors' report included in the Company's published annual report for the financial year as of December 31, 2019 where signed by Martin Norin Faarborg and Eskild Nørregaard Jakobsen and the independent auditors' reports included in the Company's published annual reports for the financial year as of December 31, 2018 and 2017 were signed by Martin Norin Faarborg and Henrik Hjort Kjelgaard.

Deloitte Statsautoriseret Revisionspartnerselskab was reelected as the Company's independent auditors as of April 24, 2019.

Deloitte Statsautoriseret Revisionspartnerselskab is a member of FSR – Danish Auditors.

## 15.3 Cross reference

The additional information explicitly listed below has been incorporated by reference into this Prospectus pursuant to article 19 of the Prospectus Regulation.

| ***Disclosure element reference*** | |
|---|---|
| ***– the consolidated financial statements for the financial year ended 31 December, 2019:*** | |
| Statement by Management on the annual report | pages 135 to 136 |
| Independent auditor's reports | pages 137 to 141 |
| The consolidated financial statements and notes | pages 67 to 115 |

| ***Disclosure element reference*** | |
|---|---|
| ***– the consolidated financial statements for the financial year ended 31 December, 2018:*** | |
| Statement by Management on the annual report | page 129 |
| Independent auditor's reports | pages 130 to 134 |
| The consolidated financial statements and notes | pages 68 to 112 |

| ***Disclosure element reference*** | |
|---|---|
| ***– the consolidated financial statements for the financial year ended 31 December, 2017:*** | |
| Statement by Management on the annual report | page 121 |
| Independent auditor's reports | paged 122 to 126 |
| The consolidated financial statements and notes | pages 60 to 104 |

## 15.4 Legal and arbitration proceedings

Bavarian Nordic may from time to time be subject to claims and various legal proceedings. Claims may e.g. arise with respect to Bavarian Nordic's IP rights, including patents, patent applications and trademarks, contracts with collaboration partners, licensors, licensees, customers and suppliers, in relation to e.g. personnel matters and in relation to lack of compliance with applicable rules, licenses etc.

The Board of Directors and the Management Team are not aware of any pending or threatened litigation or disputed claims, arbitration, government, administrative or regulatory cases, policies or factors which since January 1, 2018 have had or which, in the opinion of the Board of Directors or the Management Team, may reasonably be expected to have a material impact on Bavarian Nordic's business, reputation, financial position or results of operations.

## 15.5 Significant change in Bavarian Nordic's financial position

On January 27, 2020, the Company announced the completion of the sale of its Priority Review Voucher to an undisclosed buyer. Upon completion, the Company received a cash consideration of USD 95 million.

Except as noted above, there have been no significant changes in Bavarian Nordic's financial position since December 31, 2019.

## 15.6 Pro forma selected financial information

The Acquisition of the product rights to Rabipur/RabAvert and Encepur was completed effective as of December 31, 2019. As the Acquisition of these product rights has been included in the Consolidated IFRS Financial Statements for Bavarian Nordic as of December 31, 2019, only and not for a full financial year, and has significantly impacted the results of operations, financial position and cash flows, Bavarian Nordic also presents the 2019 Pro Forma Financial Information. See section 9, "*Operation and financial review*" for further details. The 2019 Pro Forma Financial Information is included on pages F-67 – F-78 in the Prospectus.

## 15.7 Historical dividends and dividend policy

The Company has never declared a dividend. The Company intends to retain future earnings to finance future growth and accordingly, does not anticipate paying cash dividends in the foreseeable future. Depending on Bavarian Nordic's overall performance, the Board of Directors will from time to time, reassess the Company's dividend policy.

### 15.7.1 Legal and regulatory requirements

In accordance with the Danish Companies Act, ordinary dividends, if any, are declared with respect to a financial year at the annual General Meeting in the following year, at the same time as the statutory annual report, which includes the audited financial statements, for that financial year is approved.

Further, the General Meeting may resolve to distribute interim dividends or authorize the Board of Directors to decide on the distribution of interim dividends. Any resolution to distribute interim dividends within six months after the date of the Company's latest adopted annual report must be accompanied by the statement of financial position from the Company's latest annual report or an interim statement of financial position, which must be reviewed by the Company's auditor. If the decision to distribute an interim dividend is passed more than six months after the date of the Company's latest adopted annual report, then an interim statement of financial position must be prepared and reviewed by the Company's auditor. The statement of financial position or the interim statement of financial position, as applicable, must show that the Company has sufficient funds available for distribution.

Dividends may not exceed the amount recommended by the Board of Directors for approval by the General Meeting. Moreover, dividends, including interim dividends, may only be made out of distributable reserves, may not exceed an amount that is considered sound and adequate with regard to the financial condition of the Company and may not be to the detriment of the Company's creditors and otherwise must satisfy such other factors, as the Board of Directors may deem relevant.

As at the date of this Prospectus, the Board of Directors has not been authorized by the General Meeting to distribute interim dividends.

**Share Buybacks**

In accordance with the Danish Companies Act, share buybacks, if any, may only be carried out by the Board of Directors using funds that could have been distributed as dividends at the latest annual General Meeting. The Board of Directors must carry out any share buyback in accordance with the authorization granted by the General Meeting. The authorization must be granted for a specific period not to exceed five years. The authorization must also specify the maximum permitted value of treasury shares, as well as the minimum and maximum amount that the Company may pay as consideration for such shares. The decision by the Board of Directors to engage in a share buyback, if any, will be made in accordance with the factors applicable to dividend payments described above.

As at the date of this Prospectus, the Board of Directors is authorized to purchase treasury Shares to the extent that the Company's holding of treasury Shares at no time exceeds 10 percent of the Company's share capital. The remuneration paid in connection with the acquisition of treasury Shares may not deviate by more than 10% from the price of the Company's Shares on Nasdaq Copenhagen at the time of acquisition. This authorization is granted to the Board of Directors for the period until the next annual general meeting.

Any Share buybacks will be deemed a sale of shares for tax purposes and, as a general rule, are not subject to Danish withholding tax provided that the Company is admitted to trading on a regulated market. For a description of Danish withholding taxes and certain other Danish considerations relevant to the purchase of Shares, see section 23, "*Taxation*".

### 15.7.2 Other Requirements

Dividends, if any, will be paid in accordance with the rules of VP Securities and will be paid to the shareholders' accounts with their account holding banks in Danish kroner to those recorded as beneficiaries.

Dividends not claimed by shareholders are forfeited in favor of the Company, normally after three years, under the general rules of Danish law or statute of limitations.

Under the Articles of Association and applicable Danish law, there are no dividend restrictions or special procedures for holders of Shares not resident in Denmark.

# 16. ADDITIONAL INFORMATION

## 16.1 Share capital

As of the Prospectus Date, the Company has a registered share capital of nominal DKK 323,890,650 divided into 32,389,065 Shares with a nominal value of DKK 10 each. No Shares carry special rights. The Company has no share classes and all shares are issued and fully paid up.

Immediately after the Offering and registration of the capital increase with the Danish Business Authority, the Company's registered share capital will be nominal DKK 583,003,170 divided into 58,300,317 Shares with a nominal value of DKK 10 each.

## 16.2 ADR program

Bavarian Nordic has established a sponsored level I American depositary receipt ("**ADR**") program as a special investor service to investors based in the United States. Deutsche Bank Trust Company Americas acts as depositary under the ADR program. Under the ADR program, subject to certain limitations and deadlines being observed and any restrictions under applicable laws, the Depositary shall vote on the Shares held by it under the ADR program only in accordance with voting instructions provided by the holders of the ADRs. In addition, any dividends paid in lieu of the Shares underlying the ADRs, will be paid to the Depositary, which is then obliged to remit amounts received, less agreed costs, to the holders of ADRs.

Preemptive Rights will be allocated in respect of the Shares deposited with Deutsche Bank Trust Company Americas under the Company's ADR program, however, holders of ADRs will not be entitled to receive the Preemptive Rights. Rather, the depositary will endeavor to sell the Preemptive Rights and to remit the net proceeds therefrom to the ADR holders pro rata pursuant to the terms of the deposit agreement. In addition, if the depositary is unable to sell rights, the depositary will allow the Preemptive Rights to lapse, in which case holders of ADRs will receive no value for the Preemptive Rights.

The average number of outstanding ADRs over the 12 months preceding the date of this Prospectus is approximately 43,000 (three ADRs representing one Share) and thus the ADRs have represented less than 0.01 % of the Company's share capital. The trading volume in the ADR program is generally low with only a few hundred ADRs on average being traded per month (in comparison on average the daily trading volume of the Shares on Nasdaq Copenhagen was approximately 180,000 in 2019).

## 16.3 Shareholdings

The holding of Shares and restricted stock units in the Company by the members of the Board of Directors as of the Prospectus Date are set out below.

| Name | No. of Shares held in the Company as of the date of the Prospectus | No. of restricted stock units held in the Company as of the date of the Prospectus | Illustrative no. of restricted stock units adjusted due to the Offering [1] |
|---|---|---|---|
| ***Board of Directors*** | | | |
| **Gerard van Odijk** | 16,000 | 5,883 | 7,684 |
| **Anders Gersel Pedersen** | 8,500 | 3,529 | 4,610 |
| **Elizabeth McKee Anderson** | – | 2,352 | 3,072 |
| **Frank Verwiel** | – | 2,352 | 3,072 |
| **Peter Kürstein [2]** | 16,250 | 2,352 | 3,072 |
| **Anne Louise Eberhard** | – | 1,085 | 1,418 |
| **Erik G. Hansen [2]** | 34,000 | 2,352 | 3,072 |

[1] The number of restricted stock units granted upon vesting by each member of the Board of Directors will following completion of the Offering be adjusted as illustrated in this column, to ensure that the potential gain on the restricted stock units are unchanged.

[2] Includes Shares held by members of the Board of Directors personally or legal entities controlled by them, as well as persons closely associated with them.

The holding of Shares, warrants and restricted stock units in the Company by the Executive Management and the Key Employees as of the Prospectus Date are set out below.

| Name | No. of Shares held in the Company as of the date of the Prospectus | No. of warrants held in the Company as of the date of the Prospectus | Illustrative no. of warrants adjusted due to the Offering [1] | No. of restricted stock units held in the Company as of the date of the Prospectus | Illustrative no. of restricted stock units adjusted due to the Offering [2] |
|---|---|---|---|---|---|
| ***Executive Management*** | | | | | |
| **Paul Chaplin [3]** | 76,346 [4] | 340,791 | 445,109 | 20,131 [4] | 26,294 [4] |
| ***Key Employees*** | | | | | |
| **Henrik Juuel** | 2,500 | 87,575 | 114,383 | 15,540 | 20,297 |
| **Henrik Birk** | – | 108,886 | 142,217 | 11,213 | 14,646 |
| **Tommi Kainu** | – | 129,872 | 169,627 | 10,745 | 14,035 |
| **Jean-Christophe May** | – | 23,763 | 31,037 | – | – |

[1] The number of warrants (and the exercise price for the relevant warrants) held by each member of the Management Team will following completion of the Offering be adjusted to ensure that the potential gain on the warrants is unchanged. The final adjustment of the number of warrants (and the exercise price for the relevant warrants) depends inter alia on the closing price of the Existing Shares on Nasdaq Copenhagen as at March 9, 2020 and March 10, 2020, and the adjustment shown in this column is only an illustration of the adjustment mechanism which is based on the closing price of the Existing Shares on Nasdaq Copenhagen as at March 3, 2020.

[2] The number of restricted stock units granted upon vesting by each member of the Management Team will following completion of the Offering be adjusted as illustrated in this column, to ensure that the potential gain on the restricted stock units is unchanged.

[3] Includes Shares held by Paul Chaplin personally or legal entities controlled by him, as well as persons closely associated with him.

[4] Paul Chaplin will vest 3,314 restricted stock units and 1,657 matching shares on March 15, 2020, as a consequence hereof, the number of Shares held by Paul Chaplin will increase to 81,317, the number of restricted stock units will decrease to 15,160 prior to the completion of the Offering and the number of restricted stock units adjusted due to the Offering will decrease to 19,801. To ensure that the potential gain on the restricted stock units is unchanged, Paul Chaplin will be allocated Preemptive Rights for the 3,314 restricted stock units and 1,657 matching shares that vest March 15, 2020.

## 16.4 Incentive programmes

### 16.4.1 Warrants

The Company has issued warrants to the Executive Management and selected employees of Bavarian Nordic.

The warrants have been issued by the Board of Directors in accordance with the authorizations given to the Board of Directors by the shareholders. Warrants to the Executive Management have been granted upon each manager's acceptance of the warrant agreement on the Company's warrant portal. Warrants to employees vest three years after the date of the decision by the Board of Directors to issue and grant the warrants, provided the employee in question remains employed with Bavarian Nordic for the three-year period. Warrants are subject to the provisions of the former Danish Stock Option Act regarding good/bad leaver provisions.

According to the Company's remuneration policy, warrants can be exercised by subscription for new shares at the earliest three years and at the latest six years after the date of grant.

The warrants may be exercised, wholly or party, in exercise periods of two weeks following the publication by the Company of an annual or interim report. Each warrant programme provides for 8 exercise periods.

If a warrant holder is in possession of insider information during the last exercise period, the Board of Directors may grant such warrant holder a right to exercise granted warrants during a period of two weeks after the publication of the Company's first interim report or annual report after the expiry of the last exercise period (a so-called "extraordinary window" for exercise of warrants). The Board of Directors may decide to grant one or more extraordinary windows.

The issued warrants contain adjustment clauses in the event of changes to the Company's share capital. In the event of a resolution to increase the Company's share capital at a price which is lower than the market value, and such change reduces or increases the potential gain on the warrants, the exercise price and/or the number of shares that may be subscribed for by the exercise of the warrants must be adjusted to ensure that the potential gain on the warrants remains unchanged. Upon completion of the Offering the warrants will be adjusted as illustrated in section 16.4.1.1, "*Outstanding warrants*".

The Company may at its discretion (except with respect to the August 2014 programme) decide that the exercise of warrants shall, fully or partly, be settled in treasury shares rather than by subscription for new shares.

### 16.4.1.1 *Outstanding warrants*

**Outstanding warrants as of the Prospectus Date**

| Warrant program | Number of outstanding warrants | Illustrative adjusted number of outstanding warrants after the Offering [1)] | Exercise price in DKK | Illustrative adjusted exercise price in DKK after the Offering [1)] | Last exercise period [2)] |
|---|---|---|---|---|---|
| **August 2014** | 118,500 | 154,773 | 131.40 | 100.60 | After publication of the interim report for the first 6 months of 2020 [3)] |
| **December 2015** | 291,830 | 381,160 | 366.85 | 280.87 | After publication of the interim report for the first 9 months of 2020 |
| **December 2016** | 356,690 | 465,874 | 260.20 | 199.21 | After publication of the interim report for the first 9 months of 2021 |
| **July 2017** | 26,955 | 35,206 | 430.40 | 329.52 | After publication of the interim report for the first 3 months of 2022 |
| **November 2017** | 291,746 | 381,051 | 303.00 | 231.98 | After publication of the interim report for the first 9 months of 2022 |
| **November 2018** | 450,149 | 587,942 | 179.60 | 137.50 | After publication of the interim report for the first 9 months of 2023 |
| **November 2019** | 556,202 | 726,458 | 185.40 | 141.94 | After publication of the interim report for the first 9 months of 2024 |
| **January 2020** | 23,763 | 31,037 | 197.00 | 150.83 | After publication of the interim report for the first 9 months of 2024 |

[1)] The number of warrants and the exercise price for the relevant warrants will following completion of the Offering be adjusted to ensure that the potential gain on the warrants are unchanged. The final adjustment of the number of warrants and the exercise price for the relevant warrants depends inter alia on the closing price on the Existing Shares on Nasdaq Copenhagen as of March 9, 2020 and March 10, 2020, and the adjustments shown in these columns are only an illustration of the adjustment mechanism which is based on the closing price on the Existing Shares on Nasdaq Copenhagen as of March 3, 2020.

[2)] The last exercise period may be a later point in time if the Board of Directors grants a warrant holder a right to exercise granted warrants during an extraordinary window if the warrant holder is in possession of insider information during the last exercise period.

[3)] The Board of Directors has granted certain holders of warrants under the August 2014 warrant program extraordinary windows to exercise warrants in accordance with the terms of the warrants as described in section 16.4.1, "Warrants".

Except as set out above regarding the issued warrants, the Company does not have any obligations to increase the share capital.

### 16.4.2 *Restricted stock units to Management Team*

The Company has a restricted stock unit program under which the Board of Directors may decide to postpone for three years up to 50% of the payment of a cash bonus achieved by a member of the Management Team, converting the postponed bonus into a number of restricted stock units.

Each restricted stock unit provides the owner with a right to receive one Share in the Company of nominal DKK 10. As of the Prospectus Date, the Company has issued a total of 57,629 restricted stock units (including matching shares, if any) to members of the Management Team.

The acquisition of restricted stock units is for members of the Management Team conditional upon the recipient not having passed away prior to the expiry of a three-year period after the date of grant.

The Board of Directors has decided to grant additional restricted stock units free of charge on expiry of the 3 years (so-called "matching shares") upon the recipient not having passed away and the recipient still being employed at the time of the grant of the matching shares (i.e. 3 years from the time of grant). One matching share will be granted for each two acquired restricted stock units.

The restricted stock units contain adjustment clauses in the event of changes to the Company's share capital. In the event of a resolution to increase the Company's share capital at a price which is lower than the market value, and such change reduces or increases the potential gain on the restricted stock units, the number of shares granted upon vesting of the restricted stock units must be adjusted to ensure that the potential gain on the restricted stock units remains unchanged. Upon completion of the Offering the number of restricted stock units will be adjusted as illustrated in section 16.3, "*Shareholdings*".

The Company acquires treasury Shares in order to be able to fulfill its obligations under the restricted stock units program. For a description of the authorization to the Board of Directors to purchase treasury Shares see section 15.7.1, "*Legal and regulatory requirements*".

### 16.4.3 Restricted stock units to the Board of Directors

The Company has a restricted stock unit program under which each member of the Board of Directors is entitled to receive a number of restricted stock units with a value equivalent to 50% of the fixed fee for membership of the Board of Directors. The fixed fee to the members of the Board of Directors is approved annually at the Company's annual general meeting.

The acquisition of restricted stock units is conditional upon the recipient not having passed away prior to the expiry of a 3-year period after the date of grant. The members of the Board of Directors are not entitled to receive matching shares. The members of the Board of Directors are not entitled to dispose of the restricted stock units prior to the expiry of a 3-year period after the date of grant. As of the Prospectus Date, the Company has issued a total of 19,905 restricted stock units to members of the Board of Directors.

The restricted stock units to the Board of Directors contain the same adjustment clauses in the event of changes to the Company's share capital as described under section 16.4.2, "*Restricted stock units to Management Team*".

The Company acquires treasury Shares in order to be able to fulfill its obligations under the restricted stock units program. For a description of the authorization to the Board of Directors to purchase treasury Shares see section 15.7.1, "*Legal and regulatory requirements*".

### 16.4.4 Phantom shares

Since 2017, the Company has established three-year phantom share programs covering all employees in Bavarian Nordic, with the exception of employees who have been granted warrants. The phantom share programs are cash bonus programs based on the development in the Company's share price and the

phantom share incentive programs do not have a dilutive effect on the Company's shareholders. Each employee participating in the programs is awarded so-called phantom shares free of charge. Grants are made on a monthly basis during the life of the programs as long as the employee is employed with Bavarian Nordic. On expiry of the respective programs, the employees may exercise the phantom shares granted to them and thus be entitled to a cash bonus calculated on the basis of the increase in the price of the Company's Shares. Exercise is conditional on the price of the Company's shares being at least DKK 5 higher than the exercise price at the time of exercise.

The terms of the phantom shares contain the same adjustment clauses in the event of changes to the Company's share capital as described under section 16.4.2, "*Restricted stock units to Management Team*".

# 17. REGULATORY DISCLOSURES

Below is a summary of the announcements published by the Company during the 12 months preceding the Prospectus Date.

## 17.1 Financial information

February 20, 2020, the Company published its annual report for 2019. In addition, the Company published its interim results for the first nine months, the first six months and the first three months of 2019 on November 7, 2019, August 15, 2019 and May 22, 2019, respectively. The Company published its annual report for 2018 on March 21, 2019.

December 17, 2019, the Company announced that it had entered into an agreement to sell its Priority Review Voucher for a total cash consideration of USD 95 million, January 22, 2020, the Company announced that it had received antitrust clearance and January 27, 2020 the Company announced that the sale had been completed.

## 17.2 Products

September 24, 2019, the Company announced that the FDA had approved JYNNEOS for prevention of smallpox and monkeypox disease in adults.

October 21, 2019, the Company announced the Acquisition, December 13, 2019 the Company announced that it had received antitrust clearance in the United States, Spain and Portugal and December 31, 2019 the Company announced the completion of the Acquisition.

## 17.3 Product candidates – infectious diseases

March 11, 2019, the Company announced FDA delay in the review of the biologics license application for MVA-BN smallpox vaccine, June 19, 2019, the Company announced its initiation of Phase 3 trial of freeze-dried MVA-BN smallpox vaccine.

November 7, 2019, the Company announced that Janssen had submitted MAAs to the EMA seeking licensure for an investigational Ebola vaccine regimen for the prevention of Ebola virus disease caused by Zaire ebolavirus.

October 8, 2019, the Company announced its initiation of a Phase 1 clinical trial of equine encephalitis virus vaccine.

## 17.4 Product candidates – cancer immunotherapy

October 18, 2019, the Company announced that the stage 1 of the Phase 2 study evaluating the combination therapy of its cancer immunotherapy, CV301, and Roche's checkpoint inhibitor, atezolizumab (TECENTRIQ®), for the treatment of patients with locally advanced or metastatic urothelial bladder cancer did not meet the efficacy threshold to progress into stage 2 with expanded enrollment.

June 5, 2019, the Company announced that the Data and Safety Monitoring Board confirmed a partial response in one of the first chordoma patients recruited and treated with the combination of BN-Brachyury and radiation treatment at the first evaluation timepoint and that as a result, recruitment will be expanded to enroll another 19 patients, while the first 10 patients continue to be treated and evaluated.

### 17.5 Appointments

November 13, 2019 the Company announced the appointment of Jean-Christophe May as executive vice president and chief commercial officer and January 28, 2020, the Company announced appointment of Laurence De Moerlooze as executive vice president and chief medical officer.

### 17.6 Transactions of shares and related securities in the Company

November 7, 2019 and January 6, 2020, the Company published a report of transactions of shares and related securities of the Company by persons holding managerial responsibilities and/or persons/companies closely associated with such.

August 29, 2019 and June 6, 2019, the Company increased its share capital as a result of employee warrants exercised. March 21, 2019 and February 20, 2020, the Company announced awards of restricted stock units to certain members of the Management Team, March 22, 2019, the Company announced that Henrik Juuel had acquired shares in the Company and January 6, 2020, the Company announced issue of warrants to Jean-Christophe May.

May 22, 2019, the Company launched its share buy-back program to hedge incentive scheme obligations and June 3, 2019, the Company announced transactions in connection with share buy-back program and termination of share buy-back program.

May 15, 2019, the Company announced awards of restricted stock units to the Board of Directors.

March 7, 2019, the Company announced that Paul Chaplin, president and chief executive officer, acquired shares (due to vesting of restricted stock units) in the Company.

### 17.7 General meetings

October 25, 2019, the Company announced notice of an extraordinary general meeting and November 27, 2019 the Company announced the results of the extraordinary general meeting.

March 28, 2019, the Company announced notice of its annual ordinary general meeting and on April 24, 2019, the Company announced the results of the annual general meeting.

# 18. MATERIAL CONTRACTS

## 18.1 Terms of the Acquisition

The terms of the Acquisition are set out in three Acquisition Agreements, each of which relates to a different aspect of the transaction. An asset purchase agreement ("**APA**"), which primarily governs the transfer of Rabipur/RabAvert and Encepur and associated assets ("**Acquired Assets**"), a transition agreement ("**TA**"), which primarily regulates the marketing, regulatory and distribution obligations of GSK in relation to Rabipur/RabAvert and Encepur in the period before Bavarian Nordic is able to assume those obligations and a manufacturing and a supply agreement ("**MSA**"), which sets out the terms on which GSK will manufacture Rabipur/RabAvert and Encepur for Bavarian Nordic in the period before the manufacture has been transferred to Bavarian Nordic's own facility. Each of the Acquisition Agreements includes customary representations and warranties. The Acquisition Agreements are governed by English law.

### 18.1.1 Asset purchase agreement

The APA governs, among other things the transfer of the assets that comprise the Acquired Assets, the assumption of associated liabilities, the price payable by Bavarian Nordic for those assets and obligations and the achievement of milestones relating to the transfer of know-how, manufacturing capabilities and other key elements of the Acquired Assets, the warranties and indemnities given by GSK in relation to the Acquired Assets, and details of how the manufacturing process for Rabipur/RabAvert and Encepur will be transferred to Bavarian Nordic.

The APA describes assets that comprise the Acquired Assets, including physical assets, intellectual property, contracts and business records, and the terms on which those assets will be transferred from GSK to Bavarian Nordic. The Acquired Assets do not include any manufacturing assets currently used by GSK in the business (other than certain intellectual property and the relevant master seed banks) or inventory (which is purchased separately by Bavarian Nordic under the terms of the TA and MSA).

In February 2019, Bharat Biotech International Limited ("**Bharat**") agreed to acquire the Chiron Bhering Vaccines Private Limited from GSK including certain exclusive and non-exclusive rights owned by GSK to the rabies vaccine (Rabipur/RabAvert) in countries outside of the United States, EEA, Switzerland, Canada, Japan, Israel, Singapore, Hong Kong, Australia and New Zealand (together the "**Retained Territories**"). Under the APA, Bavarian Nordic acquired the worldwide rights to Rabipur/RabAvert and Encepur with the limitation that Bavarian Nordic may not sell Rabipur/RabAvert in the territories where Bharat holds rights (Bangladesh, Malaysia, Morocco, Cambodia, Myanmar, Chile, Namibia, Columbia, Nigeria, Egypt, Pakistan, El Salvador, Peru, Ethiopia, Georgia, Russia, Honduras, South Africa, India, Sri Lanka, Indonesia, Tanzania, Iran, Kazakhstan, Tunisia, Kenya, Ukraine, Laos, Vietnam, Malawi and Zimbabwe (together the "**Specified Territories**")) for a period of five years from March 1, 2019. From March 1, 2024, Bavarian Nordic will have the right to sell the vaccines in any territory worldwide without restriction and Bharat will retain the non-exclusive right to sell in the territories other than the Retained Territories. Bavarian Nordic is required to pay a royalty to Bharat in respect of rabies vaccines sold in the Specified Territories between March 1, 2024 and March 1, 2029.

On the Closing Date, the assets that comprise the Acquired Assets were transferred to Bavarian Nordic except for certain tenders, intellectual property, marketing authorizations and other assets which have been or will be licensed to Bavarian Nordic or which will transfer to Bavarian Nordic under the TA as part of the transition arrangement. Bavarian Nordic has granted GSK the right to use certain of the Acquired Assets to enable it to perform its obligations under the MSA and TA.

The total potential purchase price for the Acquisition (excluding amounts payable for services and product supplied under the TA and MSA) is approximately EUR 803 million and comprises (i) an up-front payment of EUR 307.6 million, which was paid on the Closing Date, (ii) an adjustment to the upfront payment of EUR 2.9 million following actual inventory numbers as per December 31, 2019 and (iii) and future conditional milestones of up to EUR 495 million, related to commercial performance and the transfer of the marketing authorizations and the manufacturing process. Payments are expected to occur in the period 2020 to 2025 with the majority expected to occur from 2022. In certain circumstances, where as a direct result of Bavarian Nordic's actions or inactions, a milestone has not been satisfied or is not capable of being satisfied (and provided that GSK has complied with its obligations under the Acquisition Agreements) then such milestone may nevertheless be deemed achieved and Bavarian Nordic will be obliged to pay the agreed milestone amount.

Under the APA, GSK and Bavarian Nordic have also agreed that if, in the 10-year period following completion of the Acquisition, in respect of a vaccine for the prophylaxis of rabies, GSK either (i) submits a marketing authorization or new drug application to any regulatory authority, or (ii) seeks to license such vaccine to a third party, then GSK must submit details of such vaccine to Bavarian Nordic and Bavarian Nordic has a right of first negotiation with respect to exclusive commercialization rights for such vaccine in the European Union and the United States.

When the 10-year period following completion of the Acquisition has expired, GSK is free to submit a marketing authorization application, or to out-license such technology to a third party without offering a right of negotiation to Bavarian Nordic. This could result in a new, potentially superior, vaccine entering the market which would compete with Bavarian Nordic's vaccines. Equally, if during the 10-year period GSK develops a new rabies vaccine and the parties cannot agree on suitable terms, then GSK could out-license the new vaccine to a third party, or could develop and commercialize such new vaccine themselves.

### 18.1.2 *Transition agreement*

The TA governs, among other things, the transfer or re-registration of marketing authorizations, various other regulatory matters relating to the marketing authorizations, and the marketing and distribution by GSK and its agents of Rabipur/RabAvert and Encepur in the relevant markets until Bavarian Nordic possesses the necessary marketing authorizations to undertake distribution itself and the prior to completion of the process of the handover of responsibility for marketing and distribution from GSK to Bavarian Nordic. When Bavarian Nordic takes over distribution in a market, Bavarian Nordic is required under the TA to take over any remaining inventory on the distribution level (i.e. finished packed vaccines) at a price determined in accordance with the TA.

In the period before Bavarian Nordic possesses relevant marketing authorization, GSK will provide distribution, regulatory, pharmacovigilance (drug safety monitoring), commercialization, customer relations, testing and other services to and on behalf of Bavarian Nordic to enable the continued sale of Rabipur/RabAvert and Encepur during the transition period. On a market-by-market basis, Bavarian Nordic will be required to undertake distribution from the transfer of the marketing authorization unless GSK agrees to an extension to the distribution period.

During the transition period, Bavarian Nordic will have the right to use GSK-branded resources, including advertising, promotional and training material. Following the transition, Bavarian Nordic will use its own logo and materials.

The TA provides that Bavarian Nordic is responsible for the transfer or re-registration of marketing authorizations to Bavarian Nordic from GSK, and Bavarian Nordic has agreed to compensate GSK in the event that any marketing authorizations are not assumed by Bavarian Nordic with the result that GSK continues to be the relevant holder in the relevant timeframe.

### *18.1.3 Manufacturing and supply agreement*

Supply under the MSA covers the transitional period beginning, on a vaccine-by-vaccine basis, from the date that Bavarian Nordic takes over distribution of such vaccine and ending on the later of five years after the Closing Date or six months after successful technology transfer. Upon expiry or termination of the MSA (except in case of GSK's material breach of contract), Bavarian Nordic is required under the MSA to purchase any remaining inventory on the manufacturing and supply level (i.e. raw materials, bulk, vaccine containers, finished packed vaccines, materials and work-in-progress) at a price determined in accordance with the MSA.

Given the importance of guaranteed supply for Bavarian Nordic, the parties have agreed that GSK will guarantee a minimum level of capacity available to manufacture Rabipur/RabAvert and Encepur for Bavarian Nordic. If Bavarian Nordic places an order for the manufacture of a product, such order must be in accordance with certain product-specific minimum order quantities.

GSK has agreed to supply Rabipur/RabAvert and Encepur only to Bavarian Nordic and not to any third-party during the term of the MSA and 5 years thereafter, save for any supply obligations GSK may have under the agreement with Bharat or if requested to supply by a governmental entity in circumstances where Bavarian Nordic is not able to fulfil such requirement.

## *18.2 Bridge Loan*

On October 21, 2019, the Company entered into a committed bridge loan facility agreement with Citicorp North America Inc. and Nordea as original lenders (the "**Bridge Loan Agreement**") pursuant to which the lenders have granted a EUR 185 million bridge loan to the Company (the "**Bridge Loan**"). The Bridge Loan was made on December 30, 2019 and the proceeds were applied towards partly financing the upfront payment of EUR 307.6 million paid in cash on December 31, 2019 to GSK and towards payment of costs of the Acquisition. The Bridge Loan will be repaid following completion of the Offering, using proceeds obtained from the Offering.

The final maturity date of the Bridge Loan is 30 June 2020 (the "**Final Maturity Date**").

The Company may at its sole discretion request a 3-month extension of the Final Maturity Date and the lenders are required to approve such extension request, provided that no event of default has occurred and is continuing under the Bridge Loan Agreement or would occur as a result of the proposed extension.

The Bridge Loan is subject to interest which is based on market terms for these kind of facilities.

The Company has given customary representations and warranties on the date of execution of the Bridge Loan Agreement, certain of which are deemed to be repeated in certain circumstances thereafter. In addition, the Bridge Loan Agreement contains certain covenants in respect of the future maintenance and conduct of Bavarian Nordic's business (subject to agreed exceptions), including, among others, various restrictive covenants such as restrictions on providing security (negative pledge), disposals, incurrence financial indebtedness, change of business, mergers, granting loans and guarantees, and requirements to provide financial and certain other information to the lenders.

In addition, the Bridge Loan Agreement also contains two (2) financial covenants, which will be tested on a quarterly basis starting from June 30, 2020 and which Bavarian Nordic must comply with: (i) a leverage covenant which relates to the net debt to EBITDA (non-IFRS) (adjusted for costs relating to the Acquisition) ratio, which shall not exceed certain agreed levels, and (ii) an interest cover ratio pursuant to which the ratio of EBITDA (non-IFRS) to net finance charges may not exceed certain agreed levels.

The Bridge Loan may become wholly or partly payable prior to the Final Maturity Date upon the occurrence of certain agreed prepayment events. Such events include (but are not limited to) completion of the Offering, material divestments in excess of EUR 10,000,000, e.g. a sale of a priority review voucher or a breach of sanctions. The Bridge Loan Agreement also contains customary events of default, inter alia, non-payment of principal or interest, breach of financial or other covenants, material breach of representations and warranties, cross-default, certain insolvency and bankruptcy events and judgements against Bavarian Nordic and a limited material adverse change clause (in each case, subject to customary agreed exceptions, materiality tests, carve- outs and grace periods).

Indebtedness under the Bridge Loan Agreement may be voluntarily prepaid partly or in full, subject to giving notice, certain minimum amounts and customary breakage costs.

The Bridge Loan Agreement is governed by Danish law.

### *18.3 Collaboration and license agreement with Janssen regarding MVA-BN Filo*

On October 22, 2014, Bavarian Nordic entered into a collaboration and license agreement with Janssen. Under the terms of the collaboration and license agreement, Bavarian Nordic granted Janssen an exclusive license for its multivalent MVA-BN Filo vaccine candidate in combination with Janssen's adenovirus vector-based Filo vaccine candidate.

Bavarian Nordic received an upfront payment of USD 25 million and is entitled to receive up to USD 20 million in sales, development and regulatory milestones, in addition to potential royalties on commercial sales at certain price levels outside Africa, where Bavarian Nordic has elected not to receive royalties. As of December 31, 2019, Bavarian Nordic has received DKK 1,079 million from the collaboration with Janssen (Ebola, HPV, HIV and HBV). The additional collaboration and license agreements are described in section 18.7.1, "*Collaboration and license agreement with Janssen regarding MVA-BN HPV*" and section 18.7.2, "*Collaboration and license agreement with Janssen regarding MVA-BN HIV and MVA-BN HBV*". Janssen will be fully responsible for all costs associated with the further development and commercialization of the vaccine candidate. Janssen's royalty obligations under the collaboration and license agreement will terminate on a product-by-product and territory-by-territory basis after the expiration of a fixed period after the first commercial sale of such product in such territory. The collaboration and license agreement will expire on the expiry of the royalty term for the last of the products, unless the agreement is otherwise terminated early.

During development and commercialization, Janssen may terminate the collaboration and license agreement for convenience, subject to a notice requirement. Janssen may elect to terminate the collaboration and license agreement upon a change of control if Bavarian Nordic is acquired by a competitor of Janssen. If Janssen does not elect to terminate the collaboration and license agreement upon a change in control, Janssen may terminate certain provisions of the agreement and Bavarian Nordic is obligated to license the right to manufacture certain of its vaccine vectors covered by the collaboration and license agreement to Janssen. Bavarian Nordic or Janssen may terminate the collaboration and license agreement for material breach, default in the performance of a material obligation, insolvency or bankruptcy, subject to certain notice requirements and cure periods.

In emergency outbreak situations such as the Ebola outbreak in Western Africa in 2014, the collaboration and license agreement does not preclude Bavarian Nordic from collaborating with other parties in the development and supply of Ebola vaccines for preclinical studies and clinical trials.

The collaboration and license agreement is governed by Danish law.

Bavarian Nordic and Janssen have subsequently agreed to collaborate on the evaluation of MVA-BN for three additional infectious disease targets, see section 18.7, "*Other collaboration and license agreements*". Janssen has been granted the exclusive option to collaborate on one or more of the targets (HPV, HIV and HBV) following the preclinical evaluation of MVA-BN-based product candidates, which Bavarian Nordic will develop.

In 2017, in connection with the agreement and the collaboration and license agreement with Janssen described in section 18.7.2, "*Collaboration and License Agreement with Janssen regarding MVA-BN HIV and MVA-BN HBV*", Johnson & Johnson Inc., through its wholly-owned subsidiary JJDC, subscribed for 512,102 Existing Shares in the Company (equal to an USD 33 million equity investment) and thereby, increased its ownership in the Company to above 5% of the share capital and voting rights of the Company.

## 18.4 *Vaccine development contract with BARDA regarding MVA-BN smallpox vaccine (freeze-dried)*

On September 27, 2017, Bavarian Nordic was awarded a contract with potential 10-year term from BARDA, part of the HHS, Office of the Assistant Secretary for Preparedness and Response, for the procurement of freeze-dried MVA-BN smallpox vaccine. The total potential value of the contract is in excess of USD 539 million.

The base contract entails manufacturing and storage of USD 100 million of bulk vaccine, which was manufactured and invoiced during 2018 and 2019. In addition, the contract contains an option valued at USD 299 million, which can be exercised unilaterally by BARDA and involves Bavarian Nordic's provision of freeze-dried doses. The contract also includes pricing for additional orders of bulk vaccine and liquid-frozen doses. In addition to the procurement-related parts, the contract contains options awarding Bavarian Nordic up to USD 140 million to support clinical development, regulatory commitments, and parts of the establishment and validation of Bavarian Nordic's fill and finish activities. Such options may be unilaterally exercised by BARDA.

On November 21, 2017, BARDA exercised its first option, awarding approximately USD 37 million of the up to USD 140 million mentioned above, to cover Bavarian Nordic's development costs associated with the Phase 3 study required for the eventual approval of the freeze-dried MVA-BN smallpox vaccine. In addition, BARDA exercised its second option in January 18, 2019, awarding approximately USD 44 million of the up to USD 140 million mentioned above, mainly to cover costs associated with qualification of the new fill and finish facility (USD 33 million) at Kvistgaard further described in section 7.11.2, "*Fill and finish facility*", as well as transfer and validation of the freeze-drying process.

The contract does not contain clauses that restrict Bavarian Nordic from selling products to others than BARDA.

BARDA is entitled to terminate the contract at its convenience in accordance with standard federal acquisition regulation ("**FAR**") provisions against reimbursement of costs already incurred and as agreed and negotiated by BARDA and Bavarian Nordic. This is standard in procurement contracts with U.S. authorities and the contract is in general regulated by usual standard FAR provisions and by the laws of the United States.

### 18.5 *European Investment Bank loan agreements*

EIB has granted the Company certain term loans pursuant to two (2) separate committed EIB Loan Agreements. A EUR 50 million loan which was applied towards financing certain research and development activities and granted pursuant to the EIB Loan Agreement entered into in May 2015 (the "**First EIB Loan**"). The First EIB Loan matures in October 2022.

Further, a EUR 30 million loan facility (the "**Second EIB Loan**") was entered into in August 2018. The Second EIB Loan will be applied towards financing the new fill and finish facility located at Kvistgaard, Denmark. The new fill and finish facility is described in section 7.11.2, "*Fill and finish facility*". The Second EIB Loan may be utilized once the Offering has been completed and at the latest in August 2020, subject to compliance with financial covenants. The repayment period may be up to 7 (seven) years with instalments or 5 (five) year bullet from disbursement.

The loan drawn and the undrawn facility under the EIB Loan Agreements are subject to interest calculated as the aggregate of a variable or fixed base rate and a margin. The variable base rate is based on the interbank market rate of the relevant currency determined by EIB and the fixed base rate is determined by EIB in accordance with the applicable principles from time to time stipulated by the governing bodies of EIB for loans in the same currency and made on similar terms.

The First EIB Loan and the Second EIB Loan are subject to margins based on market terms for such loans.

The Company has given customary representations and warranties on the date of execution of the EIB Agreements, certain of which are deemed to be repeated in certain circumstances thereafter. In addition, the EIB Loan Agreements contain certain covenants in respect of the future maintenance and conduct of Bavarian Nordic's business (subject to agreed exceptions), including, among others, various restrictive covenants such as restrictions on providing security (negative pledge), disposal of assets, incurrence financial indebtedness, change of business, mergers, granting loans and guarantees, and requirements to provide financial and certain other information to the lender. The EIB Loan Agreements also contain provisions pursuant to which Bavarian Nordic is not, except as part of incentive programmes, entitled to distribute dividends or repurchase shares in an amount exceeding EUR 1,000,000 in any financial year.

To the extent that there is a termination, revocation, non-renewal, substantial alteration or forfeiture for any reason of the collaboration and license agreement with Janssen regarding MVA-BN Filo, EIB is entitled to demand prepayment of both the First EIB Loan and the Second EIB Loan. Subject to certain limitations, the same applies in respect of the First EIB Loan if similar events occur in respect of the patent license agreement relating to PROSTVAC.

In addition, the EIB Loan Agreements contain certain financial covenants at certain agreed levels, which are tested on a quarterly basis. These financial covenants are a gearing covenant which relates to the ratio of borrowings to total equity, interest cover ratio which relates to the EBITDA to net finance charges, minimum equity and liquidity requirements, as well as a liquidity to sales covenant.

The loans may become payable in full or in part prior to the applicable maturity date upon the occurrence of certain agreed prepayment events. Such events include (but are not limited to) reduction of cost for the financed project resulting in the relevant loan exceeding 50% of the total costs of the relevant project and in such case the EIB may cancel the undisbursed credit and/or demand prepayment of the loan up to the amount by which the credit exceeds 50%.

In the event of a prepayment by Bavarian Nordic of certain types of financial indebtedness not owed to EIB ("**Non-EIB Debt**"), the EIB Loan Agreements entitle EIB to demand prepayment of the First EIB Loan and the Second EIB Loan in the same proportion (potentially in full) equivalent to the amount of the prepaid Non-EIB Debt bears to the total amount of Non-EIB Debt owed to the relevant creditor. The Bridge Loan does not constitute Non-EIB Debt for the purpose of such prepayment event.

The EIB Loan Agreements also contain customary events of default, inter alia, non-payment of principal or interest, breach of financial or other covenants, material breach of representations and warranties, cross-default, certain insolvency and bankruptcy events and judgements against Bavarian Nordic and a material adverse change clause (in each case, subject to customary agreed exceptions, materiality tests, carve-outs and grace periods). In the event of an event of default, certain repayment penalties may apply.

To the extent that Bavarian Nordic enters into a financing agreement with another creditor than EIB and that agreement contains a loss-of-rating clause or any financial covenant or other covenant which is not included in the EIB Loan Agreements and which is more restrictive on Bavarian Nordic or otherwise more favorable to the relevant creditor, EIB has the right to demand that an equivalent provision is included in the EIB Loan Agreements.

Indebtedness under the EIB Loan Agreements may be voluntarily prepaid partly or in full, subject to giving notice (and, in respect of floating rate loans, without having to pay indemnities only on specified prepayment dates), certain minimum amounts and customary breakage costs, provided that breakage costs in respect of amounts borrowed which are subject to a fixed base rate are calculated against the final maturity date rather than the next applicable interest payment date.

The EIB Loan Agreements are governed by Danish law.

### *18.6 Underwriting Agreement*

For information about the Underwriting Agreement, see section 24.19, "*Underwriting Agreement*".

### *18.7 Other collaboration and license agreements*

#### *18.7.1 Collaboration and license agreement with Janssen regarding MVA-BN HPV*

In 2015, Bavarian Nordic entered into a second collaboration and license agreement with Janssen. Under the terms of the second collaboration and license agreement, Bavarian Nordic granted Janssen exclusive rights to its MVA-BN technology for use in a prime-boost vaccine regimen together with Janssen's adenovirus vector based candidate with the purpose of targeting all cancers induced by HPV, one of the three additional infectious disease targets under Bavarian Nordic's material evaluation agreement with Janssen.

Bavarian Nordic received an initial upfront payment of USD 9 million under the agreement. In addition, Bavarian Nordic is entitled under the agreement to receive up to USD 162 million in sales, development and regulatory milestones, in addition to single-digit tiered royalties on commercial sales. As of December 31, 2019, Bavarian Nordic has received DKK 1,079 million from the collaboration with Janssen (Ebola, HPV, HIV and HBV). The additional collaboration and license agreements are described in section 18.3, "*Collaboration and license agreement with Janssen regarding MVA-BN Filo*" and section 18.7.2, "*Collaboration and license agreement with Janssen regarding MVA-BN HIV and MVA-BN HBV*". Janssen will be responsible for all costs associated with development, and Bavarian Nordic will undertake all manufacturing related to MVA-BN.

### 18.7.2 *Collaboration and license agreement with Janssen regarding MVA-BN HIV and MVA-BN HBV*

On July 27, 2017, Bavarian Nordic entered into two further collaboration and license agreements with Janssen. Under the terms of these agreements, Bavarian Nordic granted to Janssen the exclusive rights to its MVA-BN technology for two additional programs, targeting vaccines against HBV and HIV.

Bavarian Nordic received an initial upfront payment of USD 10 million under the agreements. In addition, Bavarian Nordic is entitled under these agreements to up to USD 836 million in development, regulatory and sales milestones, in addition to tiered royalties on future sales. As of December 31, 2019, Bavarian Nordic has received DKK 1,079 million from the collaboration with Janssen (Ebola, HPV, HIV and HBV). The additional collaboration and license agreements are described in section 18.3 "*Collaboration and license agreement with Janssen regarding MVA-BN Filo*" and section 18.7.1, "*Collaboration and license agreement with Janssen regarding MVA-BN HPV*".

Janssen will be responsible for all clinical development, while manufacturing of MVA-BN is retained by Bavarian Nordic.

# 19. THIRD-PARTY INFORMATION AND EXPERT STATEMENTS AND DECLARATIONS OF INTEREST

This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to Bavarian Nordic's business and markets. Unless otherwise indicated, such information is based on Bavarian Nordic's analysis of multiple sources including information from WHO, CDC and World Bank Group. While the Company can confirm that information from external sources has been accurately reproduced, the Company has not independently verified and cannot give any assurances as to the accuracy of market data as presented in this Prospectus that was extracted or derived from these external sources. As far as the Company is aware and able to ascertain from this information, no facts have been omitted which would render the information provided inaccurate or misleading.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market.

Unless otherwise indicated in this Prospectus, any references to or statements regarding Bavarian Nordic's competitive position have been based on the Company's own assessment and knowledge of the market, regions and countries in which it operates.

As a result, shareholders and prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of Bavarian Nordic's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in section 1, "Risk Factors" and elsewhere in this Prospectus.

## 20. DOCUMENTS AVAILABLE

Copies of the Company's memorandum of association and the Articles of Association may be inspected during the period in which this Prospectus is in effect during usual business hours on any day (excluding Saturdays, Sundays and Danish public holidays) at the Company's registered office, at Philip Heymans Alle 3, DK-2900 Hellerup. In addition, the Articles of Association may be inspected at the Company's website www.bavarian-nordic.com. The information included on the Company's website does not form part of and is not incorporated by reference into this Prospectus.

# PART II.
# TERMS OF THE OFFERING

## 21. ESSENTIAL INFORMATION

### 21.1 Interest of natural or legal persons involved in the Offering

As set out in section 16.3, "*Shareholdings*" certain members of the Board of Directors, the Executive Management and the Key Employees are shareholders, directly or indirectly, in the Company and some of these persons have expressed that they will exercise their Preemptive Rights in whole or in part. In addition, completion of the Offering will be one of numerous targets for the cash bonus for the Executive Management and the Key Employees in accordance with the Company's remuneration policy. Therefore these persons have an interest in the Offering.

In addition, the Company has issued warrants to the Executive Management and selected employees of Bavarian Nordic as described in section 16.4.1, "*Warrants*", the Executive Management may receive restricted stock units as described in section 16.4.2, "*Restricted stock units to Management Team*" and the Board of Directors is entitled to receive a number of restricted stock units as described in section 16.4.3, "*Restricted stock units to the Board of Directors*".

The Managers and their respective affiliates have from time to time been engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company or any of the Company's respective related parties. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Managers have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with the interests of shareholders, prospective investors and the Company. In particular, the Joint Global Coordinators are lenders under the Bridge Loan Agreement pursuant to which the purchase price payable in connection with completion of the Acquisition from GSK on December 31, 2019 was partly financed. For further information see section 18.2, "*Bridge Loan*".

In addition, in the ordinary course of business the Managers and their respective affiliates may make or hold a broad array of investments including serving as counterparties to certain derivative and hedging arrangements and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Company. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Company is not aware of any other potential interests, including conflicting ones, of natural or legal persons involved in the Offering that may have a material interest in the Offering.

### 21.2 Reason for the Offering and use of proceeds

The proceeds from the Offering will be used to repay an EUR 185 million Bridge Loan (plus accrued interest and customary breakage costs) borrowed by the Company under the Bridge Loan Agreement and applied towards financing the Acquisition. Remaining proceeds after payment of the upfront portion of the cost associated with the Acquisition and repayment of the Bridge Loan will, together with future cash flow from operations, be used towards future milestone payments related to the Acquisition.

### 21.3 Working capital statement

As of December 31, 2019, Bavarian Nordic's cash and cash equivalents were DKK 297 million. Bavarian Nordic's expects that its existing cash and cash equivalents, revenue from products and milestones pursuant to collaborations and other committed sources of funds will be adequate to fund the anticipated operating expenses, capital expenditure, the milestone payments under the Acquisition Agreements, the investment and debt service requirements, other than under the Bridge Loan, for the next 12 months following the date of this Prospectus.

The Bridge Loan will become payable upon completion of the underwritten Offering and will be repaid out of proceeds from the Offering.

# 22. INFORMATION ABOUT THE SECURITIES TO BE ADMITTED TO TRADING

## 22.1 Type, class and amount of securities

The Company only has one class of Shares.

The Company is offering 25,911,252 New Shares.

### 22.1.1 The Preemptive Rights

Preemptive Rights will be allocated free of charge to the Existing Shareholders that are registered as Shareholders with VP Securities on March 11, 2020, at 5.59 p.m. CET. Existing Shares traded after March 9, 2020 will be traded without Preemptive Rights, provided that the Existing Shares are traded at customary two-day settlement.

The Preemptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK0061268638.

The Rights Trading Period commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET.

The Offering is being made at the ratio of 4:5, which means that each Existing Shareholder will be allocated four (4) Preemptive Rights for each Existing Share held, and that five (5) Preemptive Rights will be required to subscribe for one (1) New Share at the Subscription Price of DKK 109 per New Share.

### 22.1.2 The New Shares

The Subscription Period for the New Shares commences on March 12, 2020 and closes on March 25, 2020 at 5.00 p.m. CET. The New Shares will be issued under an interim ISIN code DK0061268711 and have been approved for admission to trading and official listing on Nasdaq Copenhagen in the interim ISIN code as from March 10, 2020 and will be traded in the interim ISIN code under the symbol "BANO N". Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place not later than March 30, 2020, and as soon as possible thereafter, the interim ISIN code of the New Shares will be merged with the ISIN code of the Existing Shares, DK0015998017, expected to take place not later than April 1, 2020. Until such merger has been completed, the liquidity and market price of the New Shares under the interim ISIN code may be substantially different from the liquidity and market price of the Existing Shares. All dealings in the New Shares prior to the registration of the New Shares with the Danish Business Authority are for the account, and at the sole risk, of the parties concerned.

The Existing Shares are admitted to trading and official listing on Nasdaq Copenhagen under the symbol "BAVA".

## 22.2 Currency

The Shares are denominated in Danish kroner.

### 22.3 Resolutions, authorizations and approvals of the Offering

The New Shares are issued in accordance with article 5e of the Articles of Association, according to which the Board of Directors is authorized to issue up to 41,500,000 Shares of DKK 10 nominal value each (corresponding to approximately 128% of the issued capital) with preemptive rights for the Company's shareholders.

Under this authorization, the Board of Directors adopted a resolution on March 6, 2020 to increase the Company's share capital by nominal DKK 259,112,520 (25,911,252 New Shares with a nominal value of DKK 10 each). The capital increase will be effected with Preemptive Rights to the Existing Shareholders.

### 22.4 Negotiability and transferability of the Shares

The Shares, including the New Shares, are negotiable instruments and no restrictions under Danish law will apply to the transferability of the Shares.

The Articles of Association do not contain any transfer restrictions.

### 22.5 Rights attached to the Preemptive Rights and the New Shares

#### 22.5.1 Dividend rights

The Company has never declared dividends. The Company intends to retain future earnings to finance future growth and accordingly, does not anticipate paying cash dividends in the foreseeable future. Pending Bavarian Nordic's overall performance, the Board of Directors will from time to time, reassess its dividend policy.

All Shares, including the New Shares, have the same rights and the New Shares will rank pari passu with all other Shares, including in respect of eligibility to receive dividends and participate in share buybacks. Upon the issuance and registration of the New Shares to be issued by the Company pursuant to the Offering with the Danish Business Authority (which is expected to take place on completion of the Offering), the New Shares will be entitled to receive dividends to the extent any dividends are declared and payable with respect to the New Shares.

The Company's dividends, if declared, will be paid in DKK to the shareholders' accounts set up through VP Securities. No restrictions on dividends or special procedures apply to holders of Shares who are not residents of Denmark. See section 23, "*Taxation*" for a summary of certain tax consequences in relation to dividends or distributions to holders of Shares. Any dividends not claimed by shareholders will be forfeited in favor of the Company, normally after three years, under the general rules of Danish law or statute of limitations.

The Articles of Association do not contain provisions on cumulative payments of dividend.

#### 22.5.2 Voting rights

The Existing Shares are issued with a nominal value of DKK 10 each and are listed on Nasdaq Copenhagen with a value of DKK 10 each. Each Share of DKK 10 gives the holder the right to one vote at the Company's General Meetings.

### 22.5.3 Dissolution and liquidation

In the event of dissolution and liquidation of the Company, the shareholders will be entitled to participate in the distribution of assets in proportion to their nominal shareholdings after payment of the Company's creditors.

### 22.5.4 Preemptive rights

Under Danish law, the shareholders generally have preemptive rights if the general meeting of the Company resolves to increase the share capital by cash payment. However, the preemptive rights of the shareholders may be derogated from by a majority comprising at least 2/3 of the votes cast and of the share capital represented at the general meeting if the share capital increase is made at market price.

Pursuant to article 5a, subsection 1, and article 5e of the Articles of Association, the Board of Directors is authorized to increase the Company's share capital where the Company's shareholders have a preemptive right to subscribe for the amount by which the share capital is increased, proportional to their shareholdings. The Board of Directors is also authorized to increase the share capital without preemptive rights for the Company's shareholders in accordance with article 5a, subsection 2, of the Articles of Association.

### 22.5.5 Redemption and conversion provisions

Except as provided for in the Danish Companies Act, see section 22.8, "*Danish rules on mandatory redemption of shares*", no shareholder is under an obligation to have his or her Shares redeemed in whole or in part by the Company or by any third-party, and none of the Shares carry any redemption or conversion rights or any other special rights.

## 22.6 Danish rules on mandatory tender offers

The Danish Capital Markets Act (Part 8) and Executive Order no. 1171 of October 31, 2017 on takeover bids include rules concerning public offers for the acquisition of shares admitted to trading on a regulated market (including Nasdaq Copenhagen).

If a shareholding is acquired, directly or indirectly, in a company with one or more share classes admitted to trading on a regulated market, by a person or by persons acting in concert with such person, the acquirer, and any persons acting in concert with the acquirer, must give all shareholders of the company the option to dispose of their shares on identical terms if the acquisition causes the acquirer and the persons acting in concert with the acquirer to gain control over the company.

Control exists if the acquirer or persons acting in concert with the acquirer, directly or indirectly, holds more than one third of the voting rights in the company, unless it can be clearly proven in special cases that such ownership does not constitute control. An acquirer or persons acting in concert with the acquirer who does not hold more than one third of the voting rights in a company nevertheless has control over a company when the acquirer or the persons acting in concert with the acquirer has:

- the right to control more than one third of the voting rights in the company according to an agreement with other investors; or
- the right to appoint or dismiss a majority of the members of the central management body.

Voting rights attached to treasury shares must be included in the calculation of voting rights. Exemptions from the mandatory tender offer rules may be granted under special circumstances by the Danish FSA.

### 22.7 *Public takeover bids by third parties for the Company's Shares during the last and current financial year*

No takeover bids by third parties for the Company's Shares have been presented during the last or current financial year.

### 22.8 *Danish rules on mandatory redemption of shares*

Where a shareholder holds more than 90 percent of the shares in a company and a corresponding proportion of the voting rights, such shareholder may, pursuant to the Danish Companies Act, section 70, decide that the other shareholders have their shares redeemed by that shareholder. In this case, the other shareholders must be requested, under the rules governing notices for general meetings, to transfer their shares to the shareholder within four weeks. If the redemption price cannot be agreed upon, the redemption price must be determined by an independent expert appointed by the court in the jurisdiction of the company's registered office in accordance with the provisions of the Danish Companies Act. Specific requirements apply to the contents of the notice to the other shareholders regarding the redemption. If not all minority shareholders have transferred their shares to the acquiring shareholder within the four-week deadline, the acquiring shareholder shall, as soon as possible, unconditionally deposit in favor of the relevant minority shareholders an amount corresponding to the redemption price for those shares not transferred in accordance with the Danish act on the right for debtors to release themselves from obligations by way of deposit.

Furthermore, where a shareholder holds more than 90 percent of the shares in a company and a corresponding proportion of the voting rights, the other shareholders may require such shareholder to acquire their shares pursuant to section 73 of the Danish Companies Act. If the redemption price cannot be agreed upon, the redemption price is determined by an independent expert appointed by the court in the jurisdiction of the company's registered office in accordance with the provisions of the Danish Companies Act. The redemption offer is, inter alia, required to be communicated through the Danish Business Authority's IT system at the time of notification of the four-week period. Redemption of the remaining shareholders will be carried out at the time of the expiry of the four-week period even if the redemption price remains subject to final determination by an expert, provided that funds representing the redemption price have been deposited by the majority shareholder.

# 23. TAXATION

*The following is a summary of certain Danish income tax considerations relating to the Offering and the Shares. The Danish tax legislation as well as the tax legislation of shareholders' domicile may have an impact on the income received from the Shares.*

*The summary is for general information only and does not purport to constitute exhaustive tax or legal advice. It is specifically noted that the summary does not address all possible tax consequences relating to the Offering and the Shares. The summary is based solely upon the tax laws of Denmark in effect on the date of this Prospectus. Danish tax laws may be subject to change, possibly with retroactive effect.*

*The summary does not cover shareholders and investors to whom special tax rules apply, and, therefore, may not be relevant, for example, to shareholders and investors subject to the Danish Tax on Pension Yields Act (i.e. pension savings), professional investors, certain institutional investors, insurance companies, pension companies, banks, stockbrokers and investors with tax liability on return on pension investments. The summary does not cover taxation of individuals and companies who carry on a business of purchasing and selling shares. The summary only sets out the tax position of the direct owners of the Shares and further assumes that the direct shareholders and investors are the beneficial owners of the Shares and any dividends thereon. Sales are assumed to be sales to a third-party. For shareholders and investors residing outside Denmark, this summary further assumes that the shareholder investor does not have a permanent establishment in Denmark.*

*Several Danish anti-avoidance regulations, including but not limited to the general anti-abuse rule pursuant to section 3 of the Danish Tax Assessments Act (Consolidated Act no. 806 of August 8, 2019, as amended) exist, and if these were to be applicable this could result in the application of taxes to payments made to such holder of Shares or in the denial of benefits as otherwise applicable. The mere purchase and holding of Shares should not in itself result in any adverse tax consequences to the holder of Shares. The Danish anti-avoidance regulations are not described in further detail. Shareholders and prospective investors are advised to consult their tax advisors regarding the applicable tax consequences of the Offering, including acquiring, holding and disposing of the Preemptive Rights and New Shares based on their particular circumstances. Shareholders and prospective investors who may be affected by the tax laws of jurisdictions other than Denmark should consult their tax advisors with respect to the tax consequences applicable to their particular circumstances as such consequences may differ significantly from those described herein.*

## 23.1 Tax considerations relating to the Shares

The following includes a summary of certain Danish tax considerations relating to the Shares. The summary is subject to the general reservations outlined above.

## 23.2 Taxation of Danish tax resident shareholders

### Sale of Shares (Individuals)

In 2020, gains from the sale of shares are taxed as share income at a rate of 27 percent on the first DKK 55,300 (for cohabiting spouses, a total of DKK 110,600) and at a rate of 42 percent on share income exceeding DKK 55,300 (for cohabiting spouses over DKK 110,600). Such amounts are subject to annual adjustments and include all share income (i.e., all capital gains and dividends derived by the individual or cohabiting spouses, respectively).

Gains and losses on the sale of shares admitted to trading on a regulated market are calculated as the difference between the purchase price and the sales price. The purchase price is generally determined using the average method, which means that each share is considered acquired for a price equivalent to the average acquisition price of all the shareholder's shares in the issuing company.

Losses on the sale of shares admitted to trading on a regulated market can only be offset against other share income deriving from shares admitted to trading on a regulated market, (i.e., received dividends and capital gains on the sale of shares admitted to trading on a regulated market). Unused losses will automatically be offset against a cohabiting spouse's share income deriving from shares admitted to trading on a regulated market and additional losses can be carried forward indefinitely and offset against future share income deriving from shares admitted to trading on a regulated market.

Losses on shares admitted to trading on a regulated market may only be set off against gains and dividends on other shares admitted to trading on a regulated market as outlined above if the Danish tax authorities have received certain information relating to the acquisition of the shares before expiry of the tax return filing deadline for the income year in which the shares were acquired. This information is normally provided to the Danish tax authorities by the securities dealer.

**Shareholders investing through an investment savings account (Aktiesparekonto)**

Gains and losses on shares owned through an investment savings account are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year's taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year plus any dividend received on shares owned through the investment savings account. Any annual gain will be subject to 17 percent taxation, and any loss will be deferrable. In 2020, the account is limited to a deposit of DKK 51,100.

Taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realized. If the shares owned through an investment savings account are sold or otherwise disposed of before the end of the income year, the taxable income of that income year equals the difference between the value of the shares at the beginning of the income year and the realization sum. If the shares owned through an investment savings account are acquired and realized in the same income year, the taxable income equals the difference between the acquisition sum and the realization sum. If the shares are acquired in the income year and not realized in the same income year, the taxable income equals the difference between the acquisition sum and the value of the shares at the end of the income years.

**Ownership and sale of Shares (Companies)**

For the purpose of taxation of sales of shares made by shareholders, a distinction is made between Subsidiary Shares, Group Shares, Tax-Exempt Portfolio Shares and Taxable Portfolio Shares:

"**Subsidiary Shares**" are generally defined as shares owned by a corporate shareholder holding at least 10 percent of the nominal share capital of the issuing company.

"**Group Shares**" are generally defined as shares in a company in which the shareholder of the company and the issuing company are subject to Danish joint taxation or fulfil the requirements for international joint taxation under Danish law.

"**Tax-Exempt Portfolio Shares**" are generally defined as shares not admitted to trading on a regulated market owned by a corporate shareholder holding less than 10 percent of the nominal share capital of

the issuing company. As the New Shares will be listed in connection with the Offering and the Existing Shares are listed, the rules on tax-exempt portfolio shares are not applicable to Shares.

"**Taxable Portfolio Shares**" are defined as shares that do not qualify as Subsidiary Shares, Group Shares or Tax-Exempt Portfolio Shares. The New Shares will be listed in connection with the Offering and will thus qualify as taxable portfolio shares if the shareholder holds less than 10 percent of the share capital.

Gains or losses on disposals of Subsidiary Shares, Group Shares and Tax-Exempt Portfolio Shares are not included in the taxable income of the shareholder.

Special rules apply with respect to Subsidiary Shares and Group Shares in order to prevent exemption through certain holding company structures just as other anti-avoidance rules may apply.

Capital gains from the Taxable Portfolio Shares admitted to trading on a regulated market are taxable at a rate of 22 percent irrespective of ownership period. Losses on such shares are deductible.

Gains and losses on Taxable Portfolio Shares admitted to trading on a regulated market are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year's taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year. Thus, taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realized. If the Taxable Portfolio Shares are sold or otherwise disposed of before the end of the income year, the taxable income of that income year equals the difference between the value of the Taxable Portfolio Shares at the beginning of the income year and the realization sum. If the Taxable Portfolio Shares are acquired and realized in the same income year, the taxable income equals the difference between the acquisition sum and the realization sum. If the Taxable Portfolio Shares are acquired in the income year and not realized in the same income year, the taxable income equals the difference between the acquisition sum and the value of the shares at the end of the income years.

Special transitional rules apply with respect to the right to offset certain carry forward losses realized before the income year 2010.

A change of status from Subsidiary Shares/Group Shares/Tax-Exempt Portfolio Shares to Taxable Portfolio Shares (or vice versa) is for tax purposes deemed to be a disposal of the shares and a reacquisition of the shares at market value at the time of change of status.

**Dividends (Individuals)**

Dividends paid to individuals who are tax residents of Denmark are taxed as share income, as described above. All share income must be included when calculating whether the amounts mentioned above are exceeded.

Dividends paid to individuals are generally subject to 27 percent withholding tax.

**Dividends for shareholders investing through an investment savings account (Aktiesparekonto)**

Dividends paid on shares held through an investment savings account will be taxed according to the same rules as for sale of shares held by shareholders investing through an investment savings account.

**Dividends (Companies)**

Dividends paid on Taxable Portfolio Shares are subject to the standard corporation tax rate of 22 percent irrespective of ownership period.

The withholding tax rate is 22 percent. If the distributing company withholds a higher amount, the shareholder can claim a refund of the excess tax. A claim for repayment must be filed within two months. Otherwise, the excess tax will be credited in the corporate income tax for the year.

Dividends received on Subsidiary Shares and Group Shares are tax-exempt (and exempt from withholding tax) irrespective of ownership period.

### *23.3 Taxation of shareholders residing outside Denmark*

**Sale of Shares (Individuals and Companies)**

Shareholders not resident in Denmark are normally not subject to Danish taxation on any gains realized on the sale of shares, irrespective of the ownership period.

**Dividends (Individuals)**

Under Danish law, dividends paid in respect of shares are generally subject to Danish withholding tax at a rate of 27 percent. If the withholding tax rate applied is higher than the applicable final tax rate for the shareholder, a request for a refund of Danish tax in excess hereof can be made by the shareholder in the following situations:

***1. Double taxation treaty***

In the event that the shareholder is a resident of a state with which Denmark has entered into a double taxation treaty and the shareholder is entitled to the benefits under such treaty, the shareholder may generally, through certain certification procedures, seek a refund from the Danish tax authorities of the tax withheld in excess of the applicable treaty rate, which is typically 15 percent. Denmark has a large network of tax treaties.

***2. Credit under Danish tax law***

If the shareholder holds less than 10 percent of the nominal share capital of the company and the shareholder is tax resident in a state which has a double tax treaty or an international agreement, convention or other administrative agreement on assistance in tax matters with Denmark according to which the competent authority in the state of the shareholder is obligated to exchange information with Denmark, dividends are subject to tax at a rate of 15 percent. If the shareholder is tax resident outside the EU, it is an additional requirement for eligibility for the 15 percent tax rate that the shareholder together with related shareholders holds less than 10 percent of the nominal share capital of the company. Note that the reduced tax rate does not affect the withholding rate, why the shareholder must also in this situation claim a refund as described above in order to benefit from the reduced rate.

A request for refund must be attached certain documentation. Information about the required documentation is available on the online platform when filing a claim. When claiming a refund the shareholder must document the following; that Danish dividend has been received by the shareholder and the amount of this dividend, that Danish dividend tax has been withheld and the actual amount withheld, that the shareholder was the beneficial owner of the shares when the dividend distribution was approved, that the shareholder is liable to pay tax in a country that is not Denmark and that the withheld dividend tax exceeds that of the final tax payable according to the double taxation treaty or the final tax payable according to current Danish law.

Generally, a refund of tax withheld in excess of the applicable treaty rate shall be paid within six months following the Danish tax authorities' receipt of the refund claim, including the necessary documentation. If the refund is paid later than six months after the receipt of the claim, interest will be calculated on the amount of refund. The six-month deadline can be suspended, if the Danish tax authorities are unable to

determine whether the taxpayer is entitled to a refund based on the taxpayer's affairs. If the deadline is suspended accordingly, computation of interest is also suspended.

**Dividends for shareholders investing through an investment savings account (Aktiesparekonto)**

Any dividend received on shares owned through the investment savings account will be subject to 15 percent taxation. In 2020, the account is limited to a deposit of DKK 51,100.

For shareholders residing outside Denmark, only dividends paid in respect of shares in Danish companies are included in the taxable amount.

**Dividends (Companies)**

Dividends received on Subsidiary Shares are exempt from Danish tax (including withholding tax) provided the taxation of the dividends is to be waived or reduced in accordance with the Parent-Subsidiary Directive (2011/96/EU) or in accordance with a tax treaty with the jurisdiction in which the company investor is resident. Further, dividends received on Group Shares – not being Subsidiary Shares – are exempt from Danish tax (including withholding tax) provided the company investor is a resident of the EU or the EEA and provided the taxation of dividends should have been waived or reduced in accordance with the Parent-Subsidiary Directive (2011/96/EU) or in accordance with a tax treaty with the country in which the company investor is resident had the shares been Subsidiary Shares.

Dividend payments on Taxable Portfolio Shares (and Subsidiary Shares and Group Shares, if not tax-exempt) will be subject to tax at the rate of 22 percent. However, the applicable withholding rate on such dividends is 27 percent, meaning that any foreign corporate shareholder can request a refund of at least 5 percent. Furthermore, the foreign corporate shareholder can make a request for a refund of Danish tax in the following situations:

***1. Double taxation treaty***

In the event that the shareholder is a resident of a state with which Denmark has entered into a double taxation treaty and the shareholder is entitled to the benefits under such treaty, the shareholder may generally, through certain certification procedures, seek a refund from the Danish tax authorities of the tax withheld in excess of the applicable treaty rate, which is typically 15 percent. Denmark has a large network of tax treaties.

***2. Credit under Danish tax law***

If the shareholder holds less than 10 percent of the nominal share capital in the company and the shareholder is resident in a jurisdiction which has a double taxation treaty or an international agreement, convention or other administrative agreement on assistance in tax according to which the competent authority in the state of the shareholder is obligated to exchange information with Denmark, dividends are generally subject to a tax rate of 15 percent. If the shareholder is tax resident outside the EU, it is an additional requirement for eligibility for the 15 percent tax rate that the shareholder together with related shareholders holds less than 10 percent of the nominal share capital of the company. Note that the reduced tax rate does not affect the withholding rate, why the shareholder must also in this situation claim a refund as described above in order to benefit from the reduced rate.

With respect to payment of refunds and documentation, reference is made to the above description "*Dividends (Individuals)*", which applies equally to corporate shareholders residing outside Denmark.

### *23.4 Share transfer tax and stamp duties*

No Danish share transfer tax or stamp duties are payable on transfer of the Shares.

### *23.5 Withholding tax obligations*

An issuer of shares is subject to Danish withholding tax obligations in accordance with applicable Danish laws.

# 24. TERMS AND CONDITIONS OF THE OFFERING

## 24.1 Terms of the Offering

The Company is offering 25,911,252 New Shares with a nominal value of DKK 10 each at the Subscription Price and with Preemptive Rights for the Existing Shareholders at the ratio of 4:5.

Each holder of Existing Shares registered with VP Securities on March 11, 2020 at 5.59 p.m. CET as a shareholder in the Company will be allocated four (4) Preemptive Rights for each Existing Share. For every five (5) Preemptive Rights, the holder is entitled to subscribe for one (1) New Share.

The Rights Trading Period commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET. The Subscription Period for New Shares commences on March 12, 2020 and closes on March 25, 2020 at 5.00 p.m. CET. Any Preemptive Rights not exercised during the Subscription Period will lapse with no value, and the holder of such Preemptive Rights will not be entitled to compensation. Once a holder of Preemptive Rights has exercised such rights and subscribed for New Shares, such subscription cannot be withdrawn or modified by the holder. The Preemptive Rights and the New Shares have been approved for trading and official listing on Nasdaq Copenhagen.

The Preemptive Rights and the New Shares will be delivered in book-entry form through allocation to accounts with VP Securities. The New Shares have been accepted for clearance through Euroclear and Clearstream.

Existing Shares traded after March 9, 2020 will be traded without Preemptive Rights, provided that the Existing Shares are traded with customary two-day settlement.

## 24.2 Subscription Period

The Subscription Period for the New Shares commences on March 12, 2020 and closes on March 25, 2020 at 5.00 p.m. CET.

If a holder of Preemptive Rights does not want to exercise its Preemptive Rights to subscribe for New Shares, the Preemptive Rights may be sold during the Rights Trading Period, which commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET.

### 24.3 *Expected timetable of principal events*

| | |
|---|---|
| Publication of the Prospectus | March 6, 2020 |
| Last day of trading in Existing Shares with Preemptive Rights | March 9, 2020 |
| First day of trading in Existing Shares without Preemptive Rights | March 10, 2020 |
| Rights Trading Period commences | March 10, 2020, 9.00 a.m. CET |
| Date of listing of the New Shares under the interim ISIN code | March 10, 2020 |
| Allocation Time of Preemptive Rights | March 11, 2020, 5.59 p.m. CET |
| Subscription Period for New Shares commences | March 12, 2020 |
| Rights Trading Period closes | March 23, 2020, 5.00 p.m. CET |
| Subscription Period for New Shares closes | March 25, 2020, 5.00 p.m. CET |
| Publication of the results of the Offering | March 27, 2020 |
| Registration of the capital increase regarding the New Shares with the Danish Business Authority and issuance of the New Shares through VP Securities | March 30, 2020 |
| Completion of the Offering | The Offering will only be completed if and when the New Shares subscribed for are issued by the Company and the capital increase is registered with the Danish Business Authority, expected to take place on March 30, 2020 |
| Official listing of and trading of the New Shares under the existing ISIN code | April 1, 2020 |
| Merger of the interim ISIN code for the New Shares and the ISIN code for the Existing Shares in VP Securities | April 2, 2020 |

The above timetable is subject to change. Any changes will be announced via Nasdaq Copenhagen.

### 24.4 *Withdrawal of the Offering*

Completion of the Offering is conditional upon the Offering not being withdrawn. The Offering may be withdrawn at any time prior to registration of the capital increase relating to the Offering with the Danish Business Authority.

Any such withdrawal will be notified via Nasdaq Copenhagen. Any Preemptive Rights that are not exercised during the Subscription Period will lapse with no value, and the holder of such Preemptive Rights will not be entitled to compensation.

If the Offering is not completed, any exercise of Preemptive Rights that has already taken place will be cancelled automatically. The subscription amount for the New Shares will be refunded (less any transaction costs) to the last registered owner of the New Shares as at the date of withdrawal. All Preemptive Rights will be null and void, and no New Shares will be issued. However, trades of Preemptive Rights executed during the Rights Trading Period, which commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET, will not be affected. As a result, shareholders and investors who have acquired Preemptive Rights will incur a loss corresponding to the purchase price of the Preemptive Rights and any transaction costs.

Trades in New Shares will also not be affected, and shareholders and investors that have acquired New Shares will receive a refund of the subscription amount for the New Shares (less any transaction costs). As a result, shareholders and investors that have acquired New Shares will incur a loss corresponding to the difference between the purchase price and the subscription price of the New Shares and any transaction costs.

### 24.5 Reductions of subscription

Reduction of subscription of New Shares is not applicable.

### 24.6 Minimum and/or maximum subscription amounts

The minimum number of New Shares that a holder of Preemptive Rights may subscribe will be one (1) New Share, requiring the exercise of five (5) Preemptive Rights and the payment of the Subscription Price. The number of New Shares that a holder of Preemptive Rights may subscribe is not capped. However, the number is limited to the number of New Shares which may be subscribed through the exercise of the Preemptive Rights held or acquired.

### 24.7 Revocation of subscriptions orders

Instructions to exercise Preemptive Rights are irrevocable.

### 24.8 Payment

Upon exercise of the Preemptive Rights, the holder must pay DKK 109 per New Share subscribed for.

Payment for the New Shares shall be made in Danish kroner and shall be made upon subscription against registration of the New Shares in the transferee's account with VP Securities. Holders of Preemptive Rights shall adhere to the account agreement with their own Danish custodian institution or other financial intermediary, through which they hold Shares. Financial intermediaries through which a holder holds Preemptive Rights may require payment on an earlier date.

### 24.9 Publication of the result of the Offering

The result of the Offering will be announced through Nasdaq Copenhagen expectedly on March 27, 2020.

### 24.10 Procedure for exercise of and dealings in Preemptive Rights and treatment of Preemptive Rights

The Preemptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK0061268638.

Holders of Preemptive Rights wishing to subscribe for New Shares must do so through their own custodian institution, in accordance with the rules of such institution. The deadline for notification of exercise depends on the holder's agreement with, and the rules and procedures of, the relevant custodian institution or other financial intermediary and may be earlier than the end of the Subscription Period. Once a holder has exercised its Preemptive Rights, the exercise may not be revoked or modified.

Any holders that exercise their Preemptive Right shall be deemed to have represented that they have complied with all applicable laws. Custodian banks exercising Preemptive Rights on behalf of beneficial holders shall be deemed to have represented that they have complied with the offering procedures set forth in this Prospectus. Neither the Preemptive Rights nor the New Shares have been registered under the U.S. Securities Act.

The New Shares will be issued under an interim ISIN code DK0061268711 and have been approved for admission to trading and official listing on Nasdaq Copenhagen in the interim ISIN code as from March 10, 2020 and will be traded in the interim ISIN code under the symbol "BANO N". Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place not later than March 30, 2020, and as soon as possible thereafter, the interim ISIN code of the New Shares will be merged with the ISIN code of the Existing Shares, DK0015998017, expected to take place not later than April 1, 2020. All dealings in the New Shares prior to the registration of the New Shares with the Danish Business Authority are for the account, and at the sole risk, of the parties concerned.

Upon exercise of Preemptive Rights and payment of the Subscription Price, the New Shares will be deliv-ered through VP Securities. The New Shares subscribed through the exercise of the Preemptive Rights will be delivered no later than March 30, 2020.

Upon expiry of the Subscription Period, the Preemptive Rights will lapse without value, and the Shareholders will not be entitled to any compensation. Holders of Preemptive Rights who do not wish to exercise their Preemptive Rights to subscribe for New Shares may sell their Preemptive Rights during the Rights Trading Period, and the transferee may use the acquired Preemptive Rights to subscribe for New Shares. Holders wishing to sell their Preemptive Rights should instruct their custodian banks accordingly.

The Managers may from time to time purchase, acquire and sell Preemptive Rights and purchase, sell or subscribe for New Shares.

### *24.11 Jurisdictions in which the Offering will be announced and restrictions applicable to the Offering*

#### *24.11.1 General*

The Offering consists of a public offering in Denmark with preemptive rights for the Existing Shareholders and private placements outside of Denmark, in compliance with applicable securities laws.

The distribution of this Prospectus and the Offering is, in certain jurisdictions, restricted by law, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such offer or solicitation. This Prospectus does not constitute an offer of or an invitation to purchase any Preemptive Rights or to subscribe for any New Shares in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this Prospectus may come shall inform themselves of and observe all such restrictions. Neither the Company nor the Joint Global Coordinators accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of Preemptive Rights or a subscriber or acquirer of New Shares, of any such restrictions.

This Prospectus may not be distributed or otherwise made available, and the New Shares may not be offered, sold or subscribed for, directly or indirectly, and the Preemptive Rights may not be offered, sold, purchased or exercised, directly or indirectly, in any jurisdiction other than Denmark, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable laws of the relevant jurisdiction, and the Company and the Joint Global Coordinators receive satisfactory documentation to that effect.

Although all Existing Shareholders, regardless of the jurisdiction in which they reside, will be allocated Preemptive Rights, due to restrictions under applicable laws and regulations in jurisdictions outside

Denmark, the Company expects that certain shareholders and investors residing in the United States, Canada, Australia, Japan and other jurisdictions outside Denmark may not have the Prospectus distributed to them and may not be able to exercise the Preemptive Rights or subscribe for the New Shares. The Company makes no offer or solicitation to any person under any circumstances that may be unlawful.

The Offering is fully underwritten. Subject to the satisfaction of certain conditions in the Underwriting Agreement, any New Shares that have not been subscribed for by holders of Preemptive Rights, will be subscribed for by the Joint Global Coordinators. The Joint Global Coordinators may sell any New Shares that have not been subscribed for by holders of Preemptive Rights in offshore transactions in compliance with Regulation S ("**Regulation S**") under the U.S. Securities Act and/or in accordance with other applicable exemptions to the registration requirements of United States and other securities laws.

### *24.11.2 Restrictions on offers and sales in United States*

The Offering has not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of such regulatory authorities passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Preemptive Rights and the New Shares have not been and will not be registered under the U.S. Securities Act, or any state securities laws in the Unites States. Accordingly, the Preemptive Rights may not be offered, sold, purchased or exercised in the United States, and the New Shares may not be subscribed for, offered or sold in the United States, unless in either case they are registered under the U.S. Securities Act or are subject to an exemption from the registration requirements of the U.S. Securities Act. No public offering of the Preemptive Rights or the New Shares are being made in the United States. Any offering of the Preemptive Rights and the New Shares made in the United States will only be made by the Company pursuant to an exemption from, the registration requirements of the U.S. Securities Act to a limited number of investors that (i) are QIBs and (ii) have executed and delivered an investor representation letter addressed to Bavarian Nordic. Consequently, in the United States, shareholders and investors who are not QIBs cannot participate in the offer, subscribe for New Shares or exercise Preemptive Rights. In connection with the rights issue, neither Citi, Nordea, Danske Bank nor Needham & Company will effect any transactions or induce or attempt to induce the purchase or sale of any security in or into the United States. The offering of the Preemptive Rights and the New Shares to eligible shareholders in the United States will be the sole responsibility of Bavarian Nordic.

For the period of 40 days after the commencement of the Offering, an offer or a transfer of Preemptive Rights or New Shares in the United States made by a securities broker (regardless of whether or not this broker partakes in the rights issue) could entail a breach of the registration requirements under the U.S. Securities Act, unless made in accordance with an exemption from the registration requirements under the U.S. Securities Act. Shareholders whose existing shares are directly registered in a securities account with registered addresses in the United States will not receive the Prospectus, nor will they receive any subscription rights on their respective securities accounts or any pre-printed issue statement or application form. Banks or other nominees that hold for shareholders in Bavarian Nordic whose holdings on the record date are nominee registered must not send this Prospectus or any pre-printed issue statement or application form to shareholders with addresses in, or who are located or resident in, the United States without the prior written approval of Bavarian Nordic. Any person in the United States that obtains a copy of the Prospectus or any pre-printed issue statement or application form and that is not a QIB is required to disregard them.

Although all Existing Shareholders, regardless of the jurisdiction in which they reside, will be allocated Preemptive Rights, due to such restrictions under applicable laws and regulations, the Company expects that certain shareholders and investors residing in the United States may not be able to receive this Prospectus and may not be able to exercise the Preemptive Rights or subscribe for the New Shares.

For as long as any of the Company's Preemptive Rights and New Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted Preemptive Rights and New Shares, or to any prospective purchaser of such restricted Preemptive Rights and New Shares designated by such holder or beneficial owner, upon request the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. The Company is currently exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b).

There is no treaty between the United States and Denmark providing for reciprocal recognition and enforceability of judgments rendered in connection with civil and commercial disputes and, accordingly, a final judgment rendered by a U.S. court based on civil liability would not be enforceable in Denmark. It is uncertain whether Danish courts would allow actions to be predicated on the securities laws of the United States or other jurisdictions outside Denmark. Danish courts are likely to deny claims for punitive damages and may grant a reduced amount of damages compared to U.S. courts.

Each purchaser of the Preemptive Rights and New Shares in the United States will be deemed to have represented and agreed as follows:

1. The purchaser (a) is a QIB or a broker-dealer acting for the account of a QIB, (b) is acquiring such Preemptive Rights and/or New Shares for its own account or for the account of a QIB, and (c) is aware that the Preemptive Rights and New Shares are restricted within the meaning of the U.S. Securities Act and may not be deposited into any unrestricted depositary facility, unless at the time of such deposit the Preemptive Rights and New Shares are no longer restricted.
2. The purchaser is aware that the Preemptive Rights and New Shares have not been and will not be registered under the U.S. Securities Act, and are being offered in the United States only to QIBs in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act.
3. The purchaser understands and agrees that the Preemptive Rights and New Shares may not be offered, sold, pledged or otherwise transferred, except (a) to a person that the seller and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of another QIB or (b) outside the United States in accordance with Regulation S under the U.S. Securities Act of 1933, as amended, or (c) pursuant to an exemption from registration under the U.S. Securities Act, or (d) pursuant to an effective registration statement under the U.S. Securities Act.

### *24.11.3 Restrictions on offers and sales in the European Economic Area*

In relation to each Relevant Member State of the EEA, this Prospectus is only addressed to, and is only directed at, investors (including Existing Shareholders) in that Relevant Member State what fulfil the criteria for exemption from the obligation to publish a prospectus, including qualified investors, within the meaning of the Prospectus Regulation as implemented in each such Relevant Member State.

This Prospectus has been prepared on the basis that all offers of Preemptive Rights and New Shares, other than the offer contemplated in Denmark, will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of Preemptive Rights and New Shares. Accordingly, any person making or intending to make any offer within the EEA of Preemptive Rights and New Shares which is the subject of the placement contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Company or any of the Managers to produce a prospectus for such offer. Neither the Company nor the Managers have authorized, nor does any of the Company or the Managers authorize, the making of any offer of Preemptive Rights and New Shares through any financial intermediary, other than offers made by the Managers which constitute the final placement of New Shares contemplated in this Prospectus.

The Preemptive Rights and New Shares have not been, and will not be, offered to the public in any Relevant Member State, other than Denmark. Notwithstanding the foregoing, an offering of the Preemptive Rights and the New Shares may be made in a Relevant Member State: (i) to any qualified investor as defined in the Prospectus Regulation; (ii) to fewer than 150 natural or legal persons per Relevant Member State (other than qualified investors as defined in the Prospectus Regulation subject to obtaining the prior consent of the Joint Global Coordinators); (iii) to investors who acquire Preemptive Rights or New Shares for a total consideration of at least EUR 100,000 per investor, for each separate offer; (iv) in any other circumstances falling within Article 1(4) of the Prospectus Regulation; provided that no such offer of Preemptive Rights or New Shares shall result in a requirement for the publication by the Company or any of the Managers of a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplementary prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Preemptive Rights and New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering, the Preemptive Rights and the New Shares so as to enable an investor to decide to purchase Preemptive Rights and purchase or subscribe for New Shares.

### *24.11.4 United Kingdom restrictions*

In addition to the EEA restriction above, in the United Kingdom, this Prospectus is being distributed only to, and is directed only at, and any offer subsequently made in relation to any Preemptive Rights and New Shares may only be directed at persons who are "qualified investors" (as defined in the Prospectus Regulation) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). This Prospectus must not be acted on or relied on in the United Kingdom by persons who are not Relevant Persons. In the United Kingdom, any investment or investment activity to which this Prospectus relates is only available to, and will be engaged in with, Relevant Persons.

Although all Existing Shareholders, regardless of the jurisdiction in which they reside, will be allocated Preemptive Rights, due to restrictions under applicable laws and regulations in jurisdiction outside of Denmark, certain Existing Shareholders may not be able to receive this Prospectus and may not be able to exercise their allocated Preemptive Rights and to subscribe for the New Shares. The Company makes no offer or solicitation to any person under any circumstances that may be unlawful.

### 24.11.5 Restrictions on offers and sales in Canada, Australia and Japan

This Prospectus may not be distributed or otherwise made available, the New Shares may not be offered, sold or subscribed for, directly or indirectly, and the Preemptive Rights may not be offered, sold, purchased or exercised, directly or indirectly, in Canada, Australia or Japan, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable laws of the relevant jurisdiction, and the Company and the Joint Global Coordinators receive satisfactory documentation to that effect.

Due to such restrictions under applicable laws and regulations, the Company expects that certain shareholders and investors residing in Canada, Australia, Japan and other jurisdictions may not be able to receive this Prospectus and may not be able to exercise the Preemptive Rights or subscribe for the New Shares. No offer and no solicitation to any person are being made by the Company in any jurisdiction or under any circumstances that would be unlawful.

## 24.12 Information to distributors

Solely for the purposes of the product governance requirements contained within the MiFID II Product Governance Requirements, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the securities that are the subject of the Offering have been subject to a product approval process, which has determined that the Preemptive Rights and the New Shares comply with the Target Market Assessment. Notwithstanding the Target Market Assessment, distributors should note that: the price of the Preemptive Rights and the Shares may decline and shareholders and investors could lose all or part of their investment; the Preemptive Rights and the Shares offer no guaranteed income and no capital protection; and an investment in the Preemptive Rights and the Shares is compatible only with shareholders and investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties (except for a public offering to shareholders and investors in Denmark conducted pursuant to a separate prospectus that has been approved by and registered with the Danish FSA).

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any shareholder or to any investor or group of shareholders or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Preemptive Rights and New Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Preemptive Rights and the Shares and determining appropriate distribution channels.

## 24.13 Plan of distribution

See sections 24.1, "*Terms of the Offering*" and section 24.10, "*Procedure for exercise of and dealings in Preemptive Rights and treatment of Preemptive Rights*".

### 24.14 Pre-allotment information

There is no pre-allotment of New Shares.

### 24.15 Pricing

The New Shares are offered at the Subscription Price which is DKK 109 per New Share.

### 24.16 Price disparity

All Existing Shareholders will be granted the right to subscribe for New Shares at the Subscription Price and, consequently, there is no price disparity.

### 24.17 Managers

Nordea and Citi are acting as Joint Global Coordinators. The addresses of the Joint Global Coordinators are;

- Nordea Danmark, Filial af Nordea Bank Abp, Finland, Grønjordsvej 10, DK-2300 Copenhagen S, Denmark
- Citigroup Global Markets Limited, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom

Danske Bank is acting as Co-Lead Manager and Needham & Company is acting as Co-Manager. The addresses of the Co-Lead Manager and the Co-Manager are:

- Danske Bank A/S, Holmens Kanal 2-12, 1092 Copenhagen K, Denmark
- Needham & Company, LLC, 250 Park Avenue, 10th floor, New York, NY 10177, United States

Danske Bank and Needham & Company are not underwriting any part of the Offering.

### 24.18 Payment intermediaries

***Euroclear Bank S.A./N.V.***

1 Boulevard du Roi Albert II
B-1210 Brussels
Belgium

***Clearstream Banking S.A.***

42 Avenue JF Kennedy
L-1855 Luxembourg
Luxembourg

### 24.19 Underwriting Agreement

As at the date of the Prospectus, the Company and the Managers have entered into an Underwriting Agreement.

Subject to the satisfaction of certain conditions in the Underwriting Agreement, each of Citi and Nordea has severally, but not jointly or jointly and severally, undertaken to ensure the subscription for such number of New Shares as would correspond to 50% of the difference between (i) the number of New

Shares subscribed for by exercise of Preemptive Rights and (ii) the total number of New Shares offered in the Offering. Danske Bank and Needham & Company are not underwriting any part of the Offering.

Under the Underwriting Agreement, Bavarian Nordic has given certain customary representations and warranties to the Managers and has also undertaken to indemnify the Managers for certain liability obligations related to the Offering, including liabilities under applicable securities laws.

Under the Underwriting Agreement, the Joint Global Coordinators may, at any time prior to registration of the capital increase relating to the New Shares with the Danish Business Authority, require that Bavarian Nordic withdraws the Offering upon termination of the Underwriting Agreement. The Joint Global Coordinators may terminate the Underwriting Agreement if any of the closing conditions are not met or if certain unexpected circumstances such as force majeure occur. Furthermore, the Underwriting Agreement contains closing conditions which Bavarian Nordic believes are customary for offerings such as the Offering and the closing of the Offering is dependent on compliance with all of the closing conditions set forth in the Underwriting Agreement.

Each of the Joint Global Coordinators guarantees 50% of the Offering, corresponding in aggregate to gross proceeds of DKK 2,824 million.

Under the Underwriting Agreement, Bavarian Nordic has undertaken that for a period of 180 days counted from the date of official listing of and trading of the New Shares under the existing ISIN code (expected to take place on April 1, 2020) it will not without the prior written consent of the Joint Global Coordinators, (i) issue, sell, offer for sale, enter into any agreement regarding the sale of, pledge or in any other way directly or indirectly transfer the Shares in the Company or other securities exchangeable into Shares in the Company, including warrants, restricted stock units or other options to acquire Shares in the Company (together "**Company Securities**") or announce the intention to make any such act, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, or (iii) submit to its shareholders a proposal to effect any of the foregoing.

The abovementioned obligation of the Company shall not apply to transfers or issues of Company Securities to the Company's and its subsidiaries' employees, the members of the Management Team or the Board of Directors in relation to granting, allocation or issue of Company Securities to such persons as part of or in accordance with the existing or future general or individual incentive programmes, the exercise by such persons of their rights in accordance with the existing or future general or individual employee shareholding and/or warrant programmes, cancellation of existing warrants, acquisition of treasury shares to hedge the Company's obligation to deliver Shares in respect of its restricted stock unit program, sale of the preemptive rights received in connection with the Offering in respect of treasury shares, submit to its shareholders a proposal to increase and/or extend authorizations of the Board of Directors to increase the share capital of the Company by 10% of the Company's share capital at the relevant point in time, submit to its shareholders a proposal to increase and/or extend authorizations of the Board of Directors to issue warrants or restricted stock units which will entitle the holders to subscribe for or otherwise receive Shares in the Company, and submit to its shareholders a proposal to authorize the Board of Directors to purchase treasury shares.

Further, the members of the Board of Directors and of the Management Team have each agreed that for a period of 180 days counted from the date of official listing of and trading of the New Shares under the existing ISIN code (expected to take place on April 1, 2020), they will not without the prior written consent of the Joint Global Coordinators, (i) offer, pledge or sell or enter into any agreement regarding the sale of, pledge or in any other way directly or indirectly transfer Company Securities, (ii) enter into

any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Company Securities, (iii) announce the intention to make any such act or (iv) propose any general meeting of the Company, or convene or take action to convene any general meeting for the purpose of proposing a resolution to effect any of the foregoing. The above-mentioned obligation shall not apply to (i) the disposal of Company Securities in accordance with a court order or as required by law or regulation, (ii) disposal of Company Securities as a result of the death or permanent disability of the relevant member of the Board of Directors or Management Team or an interruption in employment for a continuous period of not less than 16 weeks due to disability or illness of a member of the Management Team, (iii) disposal of Company Securities occurring after termination of a Management Team member's employment by the Company (or the relevant employer of the Company group) or, as relevant, a member of the Board of Director's resignation from the Board of Directors, (iv) disposal of Company Securities pursuant to a takeover offer for the shares in the Company made in accordance with the Danish take-over regulation, (v) disposal of Company Securities to repay an amount borrowed from a financial institution to finance the subscription for Shares in the Offering or subscription or acquisition of Shares in the Company as a result of exercising warrants, and other securities convertible into such shares, (vi) disposal of Company Securities to enable exercise of warrants, and other securities convertible into Shares in the Company, (vii) on or following April 1, 2020, pledge on certain conditions any Company Securities to and in favour of a financial institution to the extent and for such an amount which the relevant member of the Board of Directors or Management Team has borrowed from such financial institution to finance the acquisition of any Company Securities acquired in the Offering, (viii) exercise of Preemptive Rights granted in the Offering, provided that the New Shares acquired by way of exercise of such Preemptive Rights shall be subject to the above-mentioned obligations, (ix) sale of the Preemptive Rights received in connection with the Offering, (x) propose (and/or vote in favour of) resolutions to the general meeting to increase and/or extend authorisations of the Board of Directors to increase the share capital of the Company by 10% of the Company's share capital at the relevant point in time, (xi) propose (and/or vote in favour of) resolutions to the general meeting to increase and/or extend authorisations of the Board of Directors to issue warrants or restricted stock units which will entitle the holders to subscribe for or otherwise receive Shares in the Company, (xii) propose (and/or vote in favour of) resolutions at the general meeting to authorise the Board of Directors to purchase treasury shares; (xiii) exercise of warrants, and other securities convertible into Shares in the Company (provided that where such warrants or other securities convertible into Shares in the Company were subject to the above-mentioned obligations, the Shares subscribed or received as a result of such exercise shall be subject to the above-mentioned obligations), (xiv) accept to cancel existing Shares subject to the above-mentioned obligations granted by the Company under incentive programmes, where such cancellation is made in agreement with the Company, or (xv) dispose of Shares subject to the above-mentioned obligations made with a view to settle, directly or indirectly, any tax liabilities arising as a result of exercise of rights in accordance with existing or future general or individual incentive programmes. The above-mentioned obligations do not cover Preemptive Rights acquired in the Offering and New Shares subscribed for as a result of exercise of such acquired Preemptive Rights; provided all Preemptive Rights allocated/granted to the relevant member of the Board of Directors or Management Team in the Offering have been exercised.

### *24.20 Advance undertakings and underwriting commitment*

The Offering is fully underwritten. Subject to the satisfaction of certain conditions set forth in the Underwriting Agreement, any New Shares not subscribed for by holders of Preemptive Rights will be subscribed for by the Joint Global Coordinators. The Offering will raise gross proceeds to the Company of DKK 2,824 million. Citi and Nordea have each underwritten 50% of the New Shares and the obligations of Citi and Nordea to underwrite the New Shares are several, and not joint or joint and several. Danske Bank and Needham & Company are not underwriting any part of the Offering.

### *24.21 Share Issuing Agent*

The Company's share issuing agent is:

Nordea Danmark, Filial af Nordea Bank Abp, Finland
Grønjordsvej 10
DK-2300 Copenhagen S
Denmark

# 25. ADMISSION TO TRADING AND DEALING ARRANGEMENT

The Company's Existing Shares have been admitted to trading and official listing on Nasdaq Copenhagen under the ISIN code DK0015998017.

In connection with the Offering, the Preemptive Rights have been approved for trading and official listing on Nasdaq Copenhagen under the interim ISIN code DK0061268638. The Rights Trading Period commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET.

The New Shares will be issued and registered under the interim ISIN code DK0061268711 and have been approved for admission to trading and official listing on Nasdaq Copenhagen from March 10, 2020 under the interim ISIN code and will be traded in the interim ISIN code under the symbol "BANO N". Registration of the New Shares with the Danish Business Authority will take place following completion of the Offering, expected to take place not later than March 30, 2020, and as soon as possible thereafter, the interim ISIN code of the New Shares will be merged with the ISIN code of the Existing Shares expected to take place not later than on April 1, 2020. Until such merger has been completed, the liquidity and market price of the New Shares under the interim ISIN code may be substantially different from the liquidity and market price of the Existing Shares under the existing ISIN code. All dealings in the New Shares prior to the registration of the New Shares with the Danish Business Authority are for the account, and at the sole risk, of the parties concerned.

The admission of the New Shares as well as the continued admission to trading and official listing of the Shares on Nasdaq Copenhagen is subject to the Company fulfilling the rules issued by Nasdaq Copenhagen, including that there is a sufficient number of investors with a minimum holding of EUR 1,000 each and that a sufficient number of Shares are distributed to the public.

## 25.1 Market maker agreement

The Company has not entered into any market maker agreement.

## 25.2 Stabilization

Stabilization is not relevant in connection with this Offering.

# 26. SELLING SECURITIES HOLDERS

There is no selling shareholder as the Offering is structured as an issue of New Shares.

# 27. EXPENSES OF THE OFFERING

The total expenses in relation to the Offering payable by the Company to the Managers, other advisor fees and expenses and fees related to the Offering, are estimated to be DKK 100 million.

Further, the Company has agreed to pay a subscription commission to Danish account holding banks equivalent to 0.125 percent.

Neither the Company nor the Managers will charge expenses to investors. Investors will have to bear customary transaction and handling fees charged by their account keeping financial institution.

# 28. DILUTION

As at the date of this Prospectus, the Company has a registered share capital of nominal DKK 323,890,650 divided into 32,389,065 Shares with a nominal value of DKK 10 each. Upon issue of the New Shares, the percentage of ownership of the Company's Existing Shareholders may be reduced. If the Existing Shareholders refrain from exercising the Preemptive Rights allocated to them, they will be diluted by 44.4%. If the Existing Shareholders elect to partly exercise the Preemptive Rights allocated to them, the rate of dilution will be between 0 and 44.4%.

If the Existing Shareholders exercise their Preemptive Rights in full, they will not be diluted.

The net asset value per Share as of December 31, 2019 was DKK 57.6 (based on the number of Shares that the Company had issued as of such date).

## 29. ADDITIONAL INFORMATION

- Danish legal advisor to the Company: Kromann Reumert, Sundkrogsgade 5, DK-2100 Copenhagen Ø, Denmark.
- U.S. legal advisor to the Company: Cooley LLP, 55 Hudson Yards, New York, NY 10001-2157, United States.
- Joint Global Coordinators: Nordea, Nordea Danmark, Filial af Nordea Bank Abp, Finland, Grønjordsvej 10, DK-2300 Copenhagen S, Denmark and Citigroup Global Markets Limited, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.
- Other Managers: Danske Bank A/S, Holmens Kanal 2-12, 1092 Copenhagen K, Denmark and Needham & Company, LLC, 250 Park Avenue, 10th floor, New York, NY 10177, United States.
- Danish legal advisor to the Joint Global Coordinators: Plesner Advokatpartnerselskab, Amerika Plads 37, DK-2100 Copenhagen Ø, Denmark.
- U.S. legal advisor to the Joint Global Coordinators: Proskauer Rose LLP, 110 Bishopsgate, London EC2N 4AY, United Kingdom.
- Auditors to the Company: Deloitte Statsautoriseret Revisionspartnerselskab, Weidekampsgade 6, DK-2300 Copenhagen S, Denmark.

# 30. GLOSSARY

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|---|---|
| Acquired Assets | Rabipur/RabAvert and Encepur and associated assets under the APA |
| Acquisition | the acquisition from GSK of the manufacturing and rights to the two commercial vaccines Rabipur/RabAvert and Encepur which was completed on December 31, 2019 |
| Acquisition Agreements | the APA, the TA and the MSA |
| ADR | American depositary receipt |
| Agreed Volume | the MSA includes an agreed (minimum) product volume that GSK is required to be able to supply to Bavarian Nordic, should Bavarian Nordic place orders for such vaccine volume |
| Allocation Time | March 11, 2020 at 5.59 pm CET |
| ANDA | abbreviated new drug application |
| APA | the asset purchase agreement between GSK and the Company |
| Articles of Association | the Articles of Association of the Company |
| Associated Assets | the associated assets pursuant to the Acquisition Agreements |
| ATMPs | advanced therapy medicine products |
| Auditors | Deloitte Statsautoriseret Revisionspartnerselskab |
| BARDA | Biomedical Advanced Research and Development Authority in the United States |
| Bavarian Nordic | the Company and its consolidated subsidiaries, unless the context requires otherwise |
| Bharat | Bharat Biotech International Limited |
| BLA | biologics license application |
| BNCTs | benign notochordal cell tumors |
| Board of Directors | the Board of Directors of the Company at any given time |
| Bridge Loan | the bridge loan of EUR 185 million granted by the lenders to the Company pursuant to the Bridge Loan Agreement |
| Bridge Loan Agreement | the committed bridge loan facility agreement entered into between Citicorp North America Inc. and Nordea as lenders and the Company as the borrower on October 21, 2019 |
| CAT | the Committee for Advanced Therapies |
| CDC | Centers for Disease Control and Prevention in the United States |
| CEF | chick embryo fibroblasts |
| cGMP | current good manufacturing practice |
| Chairman | the chairman of the Board of Directors |
| CHMP | Committee for Medicinal Products for Human Use |
| Citi | Citigroup Global Markets Limited |
| Clearstream | Clearstream Banking, S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg |
| Closing Date | December 31, 2019 |

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| CMO | Contract Manufacturing Organization |
| CMS | Concerned member states |
| Company | Bavarian Nordic A/S |
| Company Securities | warrants, restricted stock units or other options to acquire Shares in the Company |
| Consolidated IFRS Financial Statements for the financial years 2019, 2018 and 2017 | the consolidated financial statements of the Company as of December 31, 2019, 2018 and 2017 |
| Consolidated IFRS Financial Statements for 2019 | the consolidated financial statements of the Company as of December 31, 2019 |
| Corporate Governance Recommendations | the recommendations on Corporate Governance of the Danish Committee on Corporate Governance issued on November 23, 2017 and applicable as of January 1, 2018 |
| Co-Lead Manager | Danske Bank |
| Co-Manager | Needham & Company |
| cRABS | closed Restricted Access Barrier Systems |
| CRADA | cooperative research and development agreement |
| CROs | contract research organizations |
| CSR | Corporate social responsibility |
| Danish Business Authority | Erhvervsstyrelsen |
| Danish Capital Markets Act | Consolidated Act no. 931 of September 6, 2019 on capital markets, as amended |
| Danish Central Bank | Danmarks Nationalbank |
| Danish Companies Act | Consolidated Act no. 763 of July 23, 2019 on limited liability companies |
| Danish FSA | the Danish Financial Supervisory Authority, "Finanstilsynet" |
| Danish krone, Danish kroner or DKK | Danish Kroner |
| Danske Bank | Danske Bank A/S |
| DCP | decentralized procedure |
| DDoS | distributed denial-of-service |
| Deputy Chairman | the deputy chairman of the Board of Directors |
| Delegated Prospectus Regulation | Commission delegated regulation (EU) 2019/980 of March 14, 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 and the commission delegated regulation (EU) 2019/979 of 14 March 2019 supplementing the Prospectus Regulation with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301 |
| DHS | Department of Homeland Security in the United States |

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|---|---|
| DKK | Danish kroner, the lawful currency of Denmark |
| DOD | United States Department of Defense |
| DRC | the Democratic Republic of Congo |
| EEA | European Economic Area |
| EIB | European Investment Bank |
| EIB Loan Agreements | the Company's two separate committed loan agreements with EIB |
| EMA | European Medicines Agency |
| EU | the European Union |
| euro or EUR | the euro, the lawful currency of the participating member states in the Third Stage of the European and Monetary Union of the Treaty Establishing the European Community. |
| Euroclear | Euroclear Bank S.A./N.A., 1, Boulevard de Roi Albert II, B-1210 Brussels, Belgium |
| Executive Management | the executive management of the Company at any given time |
| Existing Shares | 32,389,065 Shares of nominally DKK 10 |
| Existing Shareholders | shareholders in the Company registered with VP Securities on March 11, 2020 at 5.59 p.m. CET |
| FAR | federal acquisition regulation |
| FDA | Food and Drug Administration in the United States |
| Final Maturity Date | 30 June 2020 |
| First EIB Loan | an EUR 50 million loan granted to the Company pursuant to the EIB Loan Agreements |
| FSMA | United Kingdom Financial Services and Markets Act |
| FSR-Danish Auditors | FSR – danske revisorer. Sectoral association for certified auditors in Denmark |
| GCP | good clinical practice |
| General Meeting | the general meeting of shareholders of the Company |
| GDPR | General Data Protection Regulation ((EU) 2016/679) |
| GMO | genetically modified organism |
| GSK | GlaxoSmithKline plc |
| HBV | hepatitis B virus |
| HIV | human immunodeficiency virus |
| HHS | Department of Health and Human Services in the United States |
| HPV | human papillomavirus |
| IFRS | International Financial Reporting Standards as adopted by EU |
| IND | investigational new drug |
| IP | intellectual property |
| IRB | institutional review board |

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|---|---|
| ISIN | International Security Identification Number |
| Janssen | Janssen Vaccines & Prevention B.V. |
| JJDC | Johnson & Johnson Innovation – JJDC, Inc. |
| Joint Global Coordinators | Nordea and Citi |
| JPM CBRN Medical | Joint Project Manager for Chemical, Biological, Radiation, and Nuclear Medical |
| Key Employees | Henrik Juuel, Henrik Birk, Tommi Kainu and Jean-Christophe May |
| MAA | marketing authorization application |
| Management Team | the Executive Management and the Key Employees |
| Managers | the Joint Global Coordinators, the Co-Lead Manager and the Co-Manager |
| MiFID II | EU Directive 2014/65/EU on markets in financial instruments, as amended |
| MiFID II Product Governance Requirements | MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing procedures |
| MSA | a manufacturing and supply agreement between GSK and the Company |
| MVA-BN | Modified Vaccinia Ankara – Bavarian Nordic |
| Nasdaq Copenhagen | Nasdaq Copenhagen A/S, company reg. no. 19042677 |
| NCE | new chemical entity |
| NCI | National Cancer Institute in the United States |
| Needham & Company | Needham & Company, LLC |
| New Shares | 25,911,252 new Shares to be issued by the Company in the Offering |
| NIH | National Institute of Health in the United States |
| Non-EIB Debt | financial indebtedness not owed to EIB |
| Nordea | Nordea Danmark, Filial af Nordea Bank Abp, Finland |
| Offering | the public offering of the New Shares by the Company |
| Order 2005 | Order 2005 under the Financial Services and Markets Act 2000 |
| ORR | objective response rate |
| Personal Data | article 4(1) of the GDPR |
| PIP | Pediatric Investigation Plan |
| PPQ | process performance qualification |
| PHEMCE | Public Health Emergency Medical Countermeasures Enterprise in the United States |
| PHS | Public Health Service in the United States |
| Preemptive Rights | Preemptive rights allocated to Existing Shareholders to subscribe for New Shares on the terms set out in in this Prospectus. |
| Prospect Study | a Phase 3 study of PROSTVAC in patients with metastatic prostate cancer that was discontinued in September 2017 |
| Prospectus | the Prospectus, which has been approved by the Danish FSA |

| | |
|---|---|
| Prospectus Date | March 6, 2020 |
| Prospectus Regulation | Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/E |
| PTA | Potential patent term adjustment |
| PTE | patent term extension |
| QC | quality control |
| QIBs | Qualified institutional buyers as defined in Rule 144A under the Securities Act |
| Regulation S | Regulation S under the U.S. Securities Act |
| Relevant Member State | any member state of the EEA other than Denmark |
| Relevant Persons | Persons who are investment professionals falling within Article 19(5) or (i) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc."), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended, (ii) are high net worth bodies corporate, unincorporated associations and partnerships and the trustee of high value trust or other persons to whom such investment or investment activity may lawfully be made available |
| REMS | Risk Evaluation and Mitigation Strategy |
| Retained Territories | United States, EEA, Switzerland, Canada, Japan, Israel, Singapore, Hong Kong, Australia and New Zealand |
| Rights Trading Period | the trading period for the Preemptive Rights, which commences on March 10, 2020 at 9.00 a.m. CET and closes on March 23, 2020 at 5.00 p.m. CET |
| Right to Try Act | the Trickett Wendler, Frank Mongiello, Jordan McLinn, and Matthew Bellina Right to Try Act of 2017 |
| RMS | Reference Member State |
| RSV | Respiratory Syncytial Virus |
| Second EIB Loan | an EUR 30 loan granted to the Company pursuant to the EIB Loan Agreements |
| Shares | the outstanding shares of the Company at any given time |
| SNS | U.S. Strategic National Stockpile |
| Specified Territories | Bangladesh, Malaysia, Morocco, Cambodia, Myanmar, Chile, Namibia, Columbia, Nigeria, Egypt, Pakistan, El Salvador, Peru, Ethiopia, Georgia, Russia, Honduras, South Africa, India, Sri Lanka, Indonesia, Tanzania, Iran, Kazakhstan, Tunisia, Kenya, Ukraine, Laos, Vietnam, Malawi and Zimbabwe |
| Subscription Period | the period from March 12, 2020 until March 25, 2020 at 5.00 p.m. CET |
| Subscription Price | DKK 109 per New Share |
| SPC | Supplemental Protection Certificate |
| SPF eggs | Specific pathogen-free eggs |
| TA | a transition agreement between GSK and the Company |
| Target Market Assessment | shall have the meaning as stated in section 2.4, "*Information to distributors*" |
| TBE | tick-borne encephalitis |

| | |
|---|---|
| Underwriting Agreement | the underwriting agreement entered into between the Company and the Joint Global Coordinators on March 6, 2020 |
| USD | United States dollars, the lawful currency of the United States |
| USPTO | United States Patent and Trademark Office |
| U.S. or United States | United States of America |
| U.S. Document | document in English in connection with the private placement in the United States |
| U.S. Hatch Waxman Amendments | U.S. Drug Price Competition and Patent Term Restoration Act of 1984 |
| U.S. Securities Act | U.S. Securities Act of 1933, as amended |
| vaccine regimen | a series of vaccinations either with the same vaccine or different vaccines administered at pre-defined time intervals to produce sufficient initial immune response or to boost response that fades over time |
| VP Securities | VP Securities A/S |
| WHO | World Health Organization |
| 2019 Pro Forma Financial Information | pro forma consolidated financial information for the Company for the period January 1, 2019 – December 31, 2019 |

# CONTENTS

# FINANCIAL INFORMATION

## F.1. CONSOLIDATED IFRS FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS 2019, 2018 AND 2017

### F.1.1 Statement by Management on consolidated IFRS financial statements for the financial years 2019, 2018 and 2017

The Consolidated IFRS Financial Statements of Bavarian Nordic A/S (together with its subsidiaries the 'Group') for 2019, 2018 and 2017 have been derived and compiled from the Audited Consolidated Financial Statements for 2019, 2018 and 2017 contained in the Annual Reports for 2019, 2018 and 2017, as prepared and approved by the Executive Management and the Board of Directors (the "Management") on February 20, 2020, March 21, 2019 and March 12, 2018, respectively.

The Consolidated IFRS Financial Statements and the accompanying financial information on the F-pages, do not reflect the effects of events that occurred subsequent to the date of their issue.

In our opinion the Consolidated IFRS Financial Statements for the financial years 2017 – 2019 have been properly derived and compiled from the Audited Consolidated Financial Statements for 2019, 2018 and 2017 contained in the Annual Reports for 2019, 2018 and 2017.

Kvistgaard, March 6, 2020

***Board of Directors***

| | | |
|---|---|---|
| Gerard van Odijk<br>*Chairman* | Anders Gersel Pedersen<br>*Deputy Chairman* | Elizabeth McKee Anderson<br>*Board member* |
| Frank Verwiel<br>*Board member* | Peter Kürstein<br>*Board member* | Anne Louise Eberhard<br>*Board member* |
| Erik G. Hansen<br>*Board member* | | |

***Executive Management***

Paul Chaplin
*President & Chief Executive Officer*

## F.1.2 *Independent Auditor's Report in respect of the extraction of financial information as of and for the financial years ended December 31, 2019, 2018 and 2017*

**To the shareholders and potential shareholders**

We have examined whether the financial information on the F-pages (pages F-5 to F-66) for Bavarian Nordic A/S (together with its subsidiaries the "Group") for 2019, 2018 and 2017 in all material respects has been properly derived and compiled from the Audited Consolidated Financial Statements for 2019, 2018 and 2017 contained in the Annual Reports for 2019, 2018 and 2017, as prepared and approved by the Executive Management and the Board of Directors (the "Management") on February 20, 2020, March 21, 2019 and March 12, 2018, respectively.

We express reasonable assurance in our conclusion.

The Consolidated Financial Statements for 2019, 2018 and 2017 were prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirement of the Danish Financial Statements Act for listed companies. We have audited and expressed an unmodified auditors report on the Consolidated Financial Statements for 2019, 2018 and 2017 in our reports dated February 20, 2020, March 21, 2019 and March 12, 2018, respectively.

The Audited Consolidated Financial Statements and the accompanying financial information on the F-pages (pages F-5 to F-66), do not reflect the effects of events that occurred subsequent to the date of the issuance by Management of and our respective reports on the Consolidated Financial Statements.

We have not carried out any audit or review procedures in respect of the previously published Audited Consolidated Financial Statements subsequent to our report dated February 20, 2020 and we do not and have not re-issued our auditors' reports on the Audited Consolidated Financial Statements.

**Management's responsibility**

Management is responsible for the preparation and presentation of the financial information on the F-pages (pages F-5 to F-66) and that it has been properly derived and compiled from the Audited Consolidated Financial Statements for 2019, 2018 and 2017 contained in the Annual Reports for 2019, 2018 and 2017.

**Auditor's responsibility**

Our responsibility is to express a conclusion as to whether the financial information on the F-pages (pages F-5 to F-66) has been properly derived and compiled from the Audited Consolidated Financial Statements for 2019, 2018 and 2017 contained in the Annual Reports for 2019, 2018 and 2017.

We have performed our work in accordance with ISAE 3000 DK "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and additional requirements under Danish auditor regulation.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside Denmark, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to the International Standard on Quality Control, ISQC 1, and thus applies a comprehensive quality control system, including documented policies and procedures concerning compliance with ethical requirements, professional standards and current statutory requirements and other regulation.

We have complied with the independence requirements and other ethical requirements included in FSR – Danish Auditors' guidelines for auditors' ethical behaviour (Code of Ethics for Auditors) based on the basic principles of integrity, objectivity, professional competence as well as due diligence, confidentiality and professional behaviour.

As part of our work, we have compared the financial information on the F-pages (pages F-5 to F-66) with the Audited Consolidated Financial Statements for 2019, 2018 and 2017 contained in the Annual Reports for 2019, 2018 and 2017.

**Conclusion**

In our opinion, the financial information for 2019, 2018 and 2017 has, in all material respects, been properly derived and compiled from the Audited Consolidated Financial Statements for 2019, 2018 and 2017 contained in the Annual Reports for 2019, 2018 and 2017, as prepared and approved by the Management on February 20, 2020, March 21, 2019 and March 12, 2018, respectively.

Copenhagen, March 6, 2020

Deloitte

Statsautoriseret revisionspartnerselskab
Central Business Registration No 33 96 35 56

Martin Norin Faarborg

State-Authorised Public Accountant
*Identification No (MNE) mne29395*

Eskild Nørregaard Jakobsen

State-Authorised Public Accountant
*Identification No (MNE) mne11681*

## Group key figures 2017-2019

| DKK million | 2019 | 2018 | 2017 |
|---|---|---|---|
| ***Income statement*** | | | |
| Revenue | 662.5 | 500.6 | 1,370.2 |
| Production costs | 354.8 | 255.1 | 290.6 |
| Sales and distribution costs | 53.5 | 33.7 | 39.9 |
| Research and development costs | 409.3 | 386.3 | 518.4 |
| Administrative costs | 173.4 | 180.0 | 168.0 |
| Income before interest and tax (EBIT) | (328.4) | (354.5) | 353.2 |
| Financial items, net | (16.3) | (2.2) | (50.9) |
| Income before company tax | (344.7) | (356.6) | 302.3 |
| Net profit for the year | (346.8) | (361.9) | 181.3 |
| ***Balance sheet*** | | | |
| Total non-current assets | 6,392.2 | 552.7 | 382.2 |
| Total current assets | 654.9 | 2,508.3 | 2,770.5 |
| Total assets | 7,047.1 | 3,060.9 | 3,152.7 |
| Equity | 1,865.5 | 2,180.6 | 2,506.3 |
| Non-current liabilities | 3,134.4 | 397.6 | 399.8 |
| Current liabilities | 2,047.2 | 482.7 | 246.6 |
| ***Cash Flow Statement*** | | | |
| Securities, cash and cash equivalents | 472.4 | 2,317.2 | 2,583.7 |
| Cash flow from operating activities | (275.9) | (288.5) | 216.1 |
| Cash flow from investment activities | (809.9) | 17.1 | (1,345.2) |
| • Investment in intangible assets | (2,310.9) | (10.2) | (22.3) |
| • Investment in property, plant and equipment | (360.1) | (201.8) | (56.4) |
| • Net investment in securities | 1,861.1 | 229.2 | (1,266.6) |
| Cash flow from financing activities | 1,114.7 | 245.8 | 613.4 |
| ***Financial Ratios*** [1] | | | |
| EBITDA | (271.4) | (312.9) | 390.7 |
| Earnings (basic) per share of DKK 10 | (10.7) | (11.2) | 5.7 |
| Net asset value per share | 57.6 | 67.5 | 77.7 |
| Share price at year-end | 171 | 127 | 224 |
| Share price/Net asset value per share | 3.0 | 1.9 | 2.9 |
| Number of outstanding shares at year-end (thousand units) | 32,389 | 32,311 | 32,245 |
| Equity share | 26% | 71% | 79% |
| Number of employees, converted to full-time, at year-end | 491 | 419 | 420 |

[1] Earnings per share (EPS) is calculated in accordance with IAS 33 "Earning per share". Other financial ratios have been calculated in accordance with the guidelines from the Danish Society of Financial Analysts.

| ***Reconciliation of EBITDA*** | | | |
|---|---|---|---|
| Income before interest and tax (EBIT) | (328.4) | (354.5) | 353.2 |
| Depreciation and amortization (note 9) | 57.0 | 41.6 | 37.5 |
| **EBITDA** | **(271.4)** | **(312.9)** | **390.7** |

## Consolidated Income Statements for the Years ended December 31, 2019, 2018 and 2017

| DKK thousand | Note | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Revenue | 3 | 662,488 | 500,617 | 1,370,151 |
| Production costs | 4,8,9 | 354,757 | 255,117 | 290,617 |
| **Gross profit** | | **307,731** | **245,500** | **1,079,534** |
| Sales and distribution costs | 5.8 | 53,476 | 33,725 | 39,878 |
| Research and development costs | 6,8,9 | 409,284 | 386,299 | 518,405 |
| Administrative costs | 7,8,9,10 | 173,417 | 179,958 | 168,057 |
| **Total operating costs** | | **636,177** | **599,982** | **726,340** |
| **Income before interest and tax (EBIT)** | | **(328,446)** | **(354,482)** | **353,194** |
| Financial income | 11 | 22,540 | 34,973 | 56,426 |
| Financial expenses | 12 | 38,843 | 37,126 | 107,340 |
| **Income before company tax** | | **(344,749)** | **(356,635)** | **302,280** |
| Tax on income for the year | 13 | 2,028 | 5,292 | 120,937 |
| **Net profit for the year** | | **(346,777)** | **(361,927)** | **181,343** |
| **Earnings per share (EPS) – DKK** | | | | |
| Basic earnings per share of DKK 10 | 14 | (10.7) | (11.2) | 5.7 |
| Diluted earnings per share of DKK 10 | 14 | (10.7) | (11.2) | 5.7 |

## Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017

| DKK thousand | Note | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Net profit for the year** | | **(346,777)** | **(361,927)** | **181,343** |
| ***Items that may subsequently be reclassified to the income statement:*** | | | | |
| Exchange rate adjustments on translating foreign operations | | (149) | 93 | 50,896 |
| Change in fair value of financial instruments entered into to hedge future cash flows | | 2,644 | (228) | 130 |
| Tax on other comprehensive income | 13 | – | – | (57) |
| **Other comprehensive income after tax** | | **2,495** | **(135)** | **50,969** |
| **Total comprehensive income** | | **(344,282)** | **(362,062)** | **232,312** |

## Consolidated Statements of Cash Flow for the Years ended December 31, 2019, 2018 and 2017

| DKK thousand | Note | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Net profit for the year** | | **(346,777)** | **(361,927)** | **181,343** |
| ***Adjustment for non-cash items:*** | | | | |
| Financial income | | (22,540) | (34,973) | (56,426) |
| Financial expenses | | 38,843 | 37,126 | 107,340 |
| Tax on income for the year | | 2,028 | 5,292 | 120,937 |
| Depreciation and amortization | 9 | 57,045 | 41,639 | 37,529 |
| Expensing (amortization) of smallpox vaccine development project | | – | – | 69,515 |
| Share-based payment | 30 | 26,449 | 33,913 | 26,797 |
| Adjustment for other non-cash items | | 22,200 | – | 45,164 |
| Changes in inventories | | (22,074) | 33,159 | 35,136 |
| Changes in receivables | | 15,763 | (39,990) | 114,088 |
| Changes in current liabilities | | (51,229) | (10,973) | (462,262) |
| **Cash flow from operations (operating activities)** | | **(280,292)** | **(296,734)** | **219,161** |
| Received financial income | | 27,052 | 27,662 | 19,707 |
| Paid financial expenses | | (19,457) | (15,642) | (16,498) |
| Paid company taxes | | (3,213) | (3,815) | (6,305) |
| **Cash flow from operating activities** | | **(275,910)** | **(288,529)** | **216,065** |
| Investments in products rights | 15 | (2,307,570) | – | – |
| Investments in other intangible assets | 15 | (3,338) | (10,186) | (22,341) |
| Investments in property, plant and equipment | 16 | (360,102) | (201,775) | (56,357) |
| Investments in of financial assets | | (73) | (156) | 87 |
| Investments in securities | | (1,239,097) | (1,228,709) | (2,162,790) |
| Disposal of securities | | 3,100,240 | 1,457,915 | 896,192 |
| **Cash flow from investment activities** | | **(809,940)** | **17,089** | **(1,345,209)** |
| Payment on loans | 26 | (248,884) | (2,151) | (2,133) |
| Proceeds from loans | 26 | 1,372,953 | 246,729 | 372,195 |
| Repayment of lease liabilities | 26 | (12,923) | – | – |
| Proceeds from warrant programs exercised | | 10,315 | 5,415 | 40,858 |
| Proceeds from private placement | | – | – | 207,482 |
| Costs related to issue of new shares | | (2,219) | (25) | (707) |
| Purchase of treasury shares | | (4,576) | (4,124) | (4,254) |
| **Cash flow from financing activities** | | **1,114,666** | **245,844** | **613,441** |
| **Cash flow of the year** | | **28,816** | **(25,596)** | **(515,703)** |
| Cash and cash equivalents as of January 1 | | 266,658 | 282,521 | 853,596 |
| Currency adjustments | | 2,071 | 9,733 | (55,372) |
| **Cash and cash equivalents as of December 31** | | **297,545** | **266,658** | **282,521** |

## Consolidated Statements of Financial Position – Assets as of December 31, 2019, 2018 and 2017

| DKK thousand | Note | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| ***Non-current assets*** | | | | |
| Product rights | | 5,458,700 | – | – |
| Software | | 22,512 | 32,381 | 27,288 |
| Other intangible assets in progress | | 3,043 | 119 | 5,704 |
| **Intangible assets** | 15 | **5,484,255** | **32,500** | **32,992** |
| Land and buildings | | 162,327 | 179,442 | 194,155 |
| Leasehold improvements | | 843 | 1,047 | 1,329 |
| Plant and machinery | | 44,265 | 54,311 | 56,986 |
| Other fixtures and fittings, other plant and equipment | | 20,368 | 21,894 | 20,531 |
| Assets under construction | | 618,101 | 262,114 | 74,977 |
| **Property, plant and equipment** | 16 | **845,904** | **518,808** | **347,978** |
| **Right-of-use assets** | 17 | **60,590** | **–** | **–** |
| Other receivables | 21 | 1,445 | 1,372 | 1,216 |
| **Financial assets** | | **1,445** | **1,372** | **1,216** |
| **Deferred tax assets** | 13 | **–** | **–** | **–** |
| **Total non-current assets** | | **6,392,194** | **552,680** | **382,186** |
| ***Current assets*** | | | | |
| **Development projects for sale** | 18 | **–** | **22,200** | **22,200** |
| **Inventories** | 19 | **100,762** | **78,688** | **111,847** |
| Trade receivables | 20 | 43,405 | 31,227 | 19,396 |
| Tax receivables | | 767 | – | 5,396 |
| Other receivables | 21 | 28,387 | 21,345 | 22,916 |
| Prepayments | 22 | 9,189 | 37,582 | 5,012 |
| **Receivables** | | **81,748** | **90,154** | **52,720** |
| Securities | 24 | 174,819 | 2,050,556 | 2,301,197 |
| Cash and cash equivalents | | 297,545 | 266,658 | 282,521 |
| **Securities, cash and cash equivalents** | | **472,364** | **2,317,214** | **2,583,718** |
| **Total current assets** | | **654,874** | **2,508,256** | **2,770,485** |
| **Total assets** | | **7,047,068** | **3,060,936** | **3,152,671** |

## Consolidated Statements of Financial Position
## – Equity and Liabilities as of December 31, 2019, 2018 and 2017

| DKK thousand | Note | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| ***Equity*** | | | | |
| Share capital | | 323,891 | 323,106 | 322,451 |
| Treasury shares | | (684) | (507) | (233) |
| Retained earnings | | 1,460,007 | 1,797,122 | 2,156,883 |
| Other reserves | | 82,241 | 60,907 | 27,196 |
| **Equity** | | **1,865,455** | **2,180,628** | **2,506,297** |
| ***Liabilities*** | | | | |
| Deferred consideration for product rights | 25 | 2,691,400 | – | – |
| Debt to credit institutions | 26 | 395,443 | 397,613 | 399,760 |
| Lease liabilities | 27 | 47,549 | – | – |
| **Non-current liabilities** | | **3,134,392** | **397,613** | **399,760** |
| Deferred consideration for product rights | 25 | 459,730 | – | – |
| Debt to credit institutions | 26 | 1,375,116 | 248,877 | 2,152 |
| Lease liabilities | 27 | 13,851 | – | – |
| Prepayment from customers | 28 | 6,631 | 41,818 | 79,617 |
| Trade payables | | 112,088 | 93,962 | 82,901 |
| Company tax | | – | 1,108 | 139 |
| Other liabilities | 23 | 79,805 | 96,930 | 81,805 |
| **Current liabilities** | | **2,047,221** | **482,695** | **246,614** |
| **Total liabilities** | | **5,181,613** | **880,308** | **646,374** |
| **Total equity and liabilities** | | **7,047,068** | **3,060,936** | **3,152,671** |

## Consolidated Statement of Changes in Equity at December 31, 2019

| 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 year*** | | | | | | | |
| Net profit for the year | – | – | (346,777) | – | – | – | (346,777) |
| ***Other comprehensive income*** | | | | | | | |
| Exchange rate adjustments on translating foreign operations | – | – | – | (149) | – | – | (149) |
| Change in fair value of financial instruments entered into to hedge future cash flows, net | – | – | – | – | 2,644 | – | 2,644 |
| **Total comprehensive income for the year** | **–** | **–** | **(346,777)** | **(149)** | **2,644** | **–** | **(344,282)** |
| ***Transactions with owners*** | | | | | | | |
| Share-based payment | – | – | – | – | – | 25,589 | 25,589 |
| Warrant programs exercised | 785 | – | 11,814 | – | – | (2,284) | 10,315 |
| Warrant programs expired | – | – | 1,455 | – | – | (1,455) | – |
| Costs related to issue of new shares | – | – | (2,219) | – | – | – | (2,219) |
| Purchase of treasury shares | – | (288) | (4,288) | – | – | – | (4,576) |
| Transfer regarding restricted stock units | – | 111 | 2,900 | – | – | (3,011) | – |
| **Total transactions with owners** | **785** | **(177)** | **9,662** | **–** | **–** | **18,839** | **29,109** |
| **Equity as of December 31, 2019** | **323,891** | **(684)** | **1,460,007** | **(37,558)** | **2,287** | **117,512** | **1,865,455** |

The share capital comprises a total of 32,389,065 shares of DKK 10 as of December 31, 2019 (32,310,565 shares). The shares are not divided into share classes, and each share carries one vote.

### Treasury shares

In May 2019, the Board of Directors decided to launch a share buy-back program, under which the Company bought back 28,849 of its own shares (27,373 shares in 2018; 12,156 shares in 2017). The purpose of the share buy-back program was to meet the Company's obligations arising from the share-based incentive program for the Executive Management and the Board of Directors. Under the share-based incentive program, payment of half of the achieved bonus for 2018 for members of the Executive Management are converted to restricted stock units for a value corresponding to half of the achieved bonus. The restricted stock units will be released to the Executive Management 3 years after grant. This to further increase the long-term shared interests between the Executive Management and the Company's shareholders.

The Board of Directors is granted restricted stock units corresponding to 50% of the annual fee (excl. committee fee). The vesting period for those restricted stock units is also 3 years.

Treasury shares represent 0.21% (2018: 0.16%; 2017: 0.07%) of the total share capital.
For further information about share based payment see note 30.

## Consolidated Statement of Changes in Equity at December 31, 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, 2018** | **322,451** | **(233)** | **2,156,883** | **(37,502)** | **(129)** | **64,827** | **2,506,297** |
| ***Comprehensive income for the year*** | | | | | | | |
| Net profit for the year | – | – | (361,927) | – | – | – | (361,927) |
| ***Other comprehensive income*** | | | | | | | |
| Exchange rate adjustments on translating foreign operations | – | – | – | 93 | – | – | 93 |
| Change in fair value of financial instruments entered into to hedge future cash flows, net | – | – | – | – | (228) | – | (228) |
| **Total comprehensive income for the year** | **–** | **–** | **(361,927)** | **93** | **(228)** | **–** | **(362,062)** |
| ***Transactions with owners*** | | | | | | | |
| Share-based payment | – | – | – | – | – | 35,127 | 35,127 |
| Warrant programs exercised | 655 | – | 5,945 | – | – | (1,185) | 5,415 |
| Warrant programs expired | – | – | 96 | – | – | (96) | – |
| Costs related to issue of new shares | – | – | (25) | – | – | – | (25) |
| Purchase of treasury shares | – | (274) | (3,850) | – | – | – | (4,124) |
| **Total transactions with owners** | **655** | **(274)** | **2,166** | **–** | **–** | **33,846** | **36,393** |
| **Equity as of December 31, 2018** | **323,106** | **(507)** | **1,797,122** | **(37,409)** | **(357)** | **98,673** | **2,180,628** |

The share capital comprises a total of 32,310,565 shares of DKK 10 as of December 31, 2018 (32,245,065 shares). The shares are not divided into share classes, and each share carries one vote.

## Consolidated Statement of Changes in Equity at December 31, 2017

| 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, 2017** | **313,539** | **(111)** | **1,731,898** | **(88,398)** | **(202)** | **60,511** | **2,017,237** |
| ***Comprehensive income for the year*** | | | | | | | |
| Net profit for the year | – | – | 181,343 | – | – | – | 181,343 |
| ***Other comprehensive income*** | | | | | | | |
| Exchange rate adjustments on translating foreign operations | – | – | – | 50,896 | – | – | 50,896 |
| Change in fair value of financial instruments entered into to hedge future cash flows | – | – | – | – | 73 | – | 73 |
| **Total comprehensive income for the year** | **–** | **–** | **181,343** | **50,896** | **73** | **–** | **232,312** |
| ***Transactions with owners*** | | | | | | | |
| Share-based payment | – | – | – | – | – | 26,337 | 26,337 |
| Warrant programs exercised | 3,791 | – | 45,800 | – | – | (8,733) | 40,858 |
| Warrant programs expired | – | – | 320 | – | – | (320) | – |
| Capital increase through private placement | 5,121 | – | 202,361 | – | – | – | 207,482 |
| Costs related to issue of new shares | – | – | (707) | – | – | – | (707) |
| Purchase of treasury shares | – | (122) | (4,132) | – | – | – | (4,254) |
| Tax related to items recognized directly in equity | – | – | – | – | – | (12,968) | (12,968) |
| **Total transactions with owners** | **8,912** | **(122)** | **243,642** | **–** | **–** | **4,316** | **256,748** |
| **Equity as of December 31, 2017** | **322,451** | **(233)** | **2,156,883** | **(37,502)** | **(129)** | **64,827** | **2,506,297** |

The share capital comprises a total of 32,245,065 shares of DKK 10 as of December 31, 2017 (31,353,846 shares). The shares are not divided into share classes, and each share carries one vote.

## Transactions on the share capital

| DKK thousand | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Share capital as of January 1 | 323,106 | 322,451 | 313,539 | 280,197 | 276,712 |
| Issue of new shares | 785 | 655 | 8,912 | 33,342 | 3,485 |
| **Share capital as of December 31** | **323,891** | **323,106** | **322,451** | **313,539** | **280,197** |

### Rules on changing Articles of Association

Changing the Articles of Association requires that the resolution passes by at least 2/3 of the votes as well as 2/3 of the voting capital represented.

## NOTE 1 Significant accounting policies

### Basis of preparation

The consolidated financial statements for Bavarian Nordic have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for the consolidated financial statements of listed companies. Danish disclosure requirements for the presentation of consolidated financial statements are imposed by the Statutory Order on Adoption of IFRS issued under the Danish Financial Statements Act.

The accounting policies are unchanged from last year except for changes due to implementation of new and revised standards that were effective January 1, 2019.

The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency of the parent company.

The consolidated financial statements are presented on a historical cost basis, apart from derivative financial instruments, securities and liability relating to phantom shares, which are measured at fair value.

The accounting policies have been consistently applied for the financial year and for the comparative figures, except for implementation of IFRS 16 "*Leases*" where the Company has used the simplified retrospective transition approach without restating comparative figures, see further below.

In the narrative sections of the consolidated financial statements comparative figures for 2018 and 2017 are shown in brackets.

### Implementation of new and revised standards and interpretations

The International Accounting Standards Board (IASB) has issued new standards and revisions to existing standards (IFRS) and new interpretations (IFRIC) which are mandatory for accounting periods commencing on or after January 1, 2019. Except for the implementation of IFRS 16 "*Leases*" described below, the implementation of new or revised standards and interpretations that are in force have not changed the accounting policies and thus not affected net profit for the year or the financial position.

IFRS 16 "*Leases*" 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.

The Company has 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 and 2017 comparative figures are reported according to IAS 17.

Upon implementation the Company has 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, payments, which are fixed or variable, dependent on an index or a rate have been included. 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, an incremental country specific borrowing rate has been used, based on a government bond plus the Group's credit margin, ranging from 2.5% to 5.0%.

Upon implementation January 1, 2019, a right-of-use-asset of DKK 83 million and a lease liability of DKK 83 million have been recognized. 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 the income before interest and tax (EBIT) for financial year 2019 would have been a loss of DKK 330 million, an increase of DKK 2 million in loss compared to the actual numbers for the financial year 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 13 million whereas the cash outflow from financing activities has been negatively impacted by DKK 13 million.

The following table shows the operating lease commitments disclosed applying IAS 17 as of December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

| DKK thousand | January 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) |
| Service expenditures included in the operating lease commitments in the Annual Report 2018 | (6,884) |
| Included lease option terms with a highly probable extension | 45,606 |
| **Lease liabilities recognized January 1, 2019 (IFRS 16)** | **82,868** |

The impact from implementation of IFRS 16 is further described in note 17 and note 27.

**Standards and interpretations not yet in force**

**Accounting policies**

The accounting policies for specific line items are described in the notes to the financial statements. Set out below is a description of the accounting policies for the basis of consolidation, foreign currency translation and the cash flow statement.

**Recognition and measurement**

Income is recognized in the income statement when generated. Assets and liabilities are recognized in the balance sheet when it is probable that any future economic benefit will flow to or from the Group and the value can be reliably measured. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described in the description of the accounting policies in the respective notes to the financial statements.

**Basis of consolidation**

The consolidated financial statements include Bavarian Nordic A/S and the subsidiaries in which the Group holds more than 50% of the voting rights or otherwise has control.

**Principles of consolidation**

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the individual subsidiaries, and these are prepared in accordance with the Group's accounting policies and for the same accounting period.

Intra-group income and expenses together with all intra-group profits, receivables and payables are eliminated on consolidation. In the preparation of the consolidated financial statements, the book value of shares in subsidiaries held by the parent company is set off against the equity of t he subsidiaries.

**Foreign currency translation**

On initial recognition, transactions denominated in currencies other than the Group's functional currency are translated at the exchange rate ruling at the transaction date.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognized in the income statement under financials. Property, plant and equipment and intangible assets, inventories and other nonmonetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date.

On recognition in the consolidated financial statements of subsidiaries whose financial statements are presented in a functional currency other than Danish kroner (DKK), the income statements are translated at the average exchange rates of the respective months.

Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates of the respective months to exchange rates at the balance sheet date are recognized as other comprehensive income.

**Segment reporting**

The Group does not prepare segment reporting internally and therefor only reports one operating segment externally.

Geographic spilt of revenue and revenue from major customers is disclosed in note 3 to the consolidated financial statements. Geographic location of noncurrent assets is disclosed in note 15 and 16 to the consolidated financial statements.

**Cash flow statement**

The cash flow statement is prepared in accordance with the indirect method on the basis of the Group's net profit for the year. The statement shows the Group's cash flows broken down into operating, investing and financing activities, cash and cash equivalents at year end and the impact of the calculated cash flows on the Group's cash and cash equivalents.

Cash flows in foreign currencies are translated into Danish kroner (DKK) at the exchange rate on the transaction date.

In the cash flows from operating activities, net profit for the year is adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities include cash flows from the purchase and sale of intangible assets, property, plant and equipment, investments and securities.

Cash flows from financing activities include cash flows from the raising and payment of loans and capital increases.

Additionally, cash flows from assets held under finance leases are recognized by way of lease payments made.

**Net asset value per share:**

Equity/Number of shares at year-end

**Share price/Net asset value per share:**

Market price per share/Net asset value per share

**Equity share, %:**

Equity x 100/Total assets

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

## NOTE 2 Significant accounting estimates and judgments

### Significant accounting estimates

In the preparation of the consolidated financial statements, Management makes a number of accounting estimates, which form the basis for the presentation, recognition and measurement of the Group's assets and liabilities.

The recognition and measurement of assets and liabilities often depends on future events that are somewhat uncertain. In that connection, it is necessary to assume a course of events that reflects Management's assessment of the most probable course of events.

In connection with the preparation of the consolidated financial statements, Management has made a number of estimates and assumptions concerning carrying amounts. Management has made the following accounting estimates which significantly affect the amounts recognized in the consolidated financial statements:

- Revenue recognition (note 3)
- Intangible assets (note 15)
- Inventories, including impairment and production overheads (note 19)

Please refer to the specific notes for further description of the significant accounting estimates and assumptions used.

### Significant accounting judgments

Management has made the following accounting judgment which significantly affect the amounts recognized in the consolidated financial statements:

The acquisition of the two product rights from GlaxoSmithKline does not include any legal entities, and no other tangible asset, no employees and no working capital has be transferred to the Company as part of the transaction. Management has assessed that the acquisition constitute an asset deal and not a business combination. In determining the accounting treatment, Management has performed judgments and estimates determining the method for determination of the cost price of the acquired products rights including the method and period of amortization and method for recognition of deferred consideration. For further information see note 15 and note 25.

## NOTE 3 Revenue

### Accounting policies

Revenue comprises the fair value of the consideration received or receivable for sales of goods and income derived from development services. Revenue is measured net of value added tax, duties, etc. collected on behalf of a third party and discounts. The revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably and when ownership of the goods or right to the services are transferred and the Group no longer retains managerial responsibility for, or control of, the goods or services sold.

Sales of goods and licences that transfer the rights associated with ownership of an intangible asset are recognized at a point in time when control is transferred. Revenue from development services and

licences that do not transfer the right of ownership to an intangible asset are recognized over time in line with the execution and delivery of the work.

Agreements with commercial partners generally include non-refundable upfront license and collaboration fees, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur, and revenue from the supply of products. For these agreements that include multiple elements, total contract consideration is attributed to separately identifiable components on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in stand-alone transactions provided that each component has value to the partner on a stand-alone basis. The allocated consideration is recognized as revenue in accordance with the principles described above. Further details regarding recognition of revenue on the main contracts with Biomedical Advanced Research and Development Authority (BARDA) and Janssen Vaccines & Prevention B.V. are described below.

**Significant accounting estimates**

Whether a component of a multiple element contract has value to the partner on a stand-alone basis is based on an assessment of specific facts and circumstances and is associated with judgement. This applies also to the assessment of whether a license transfers rights associated with ownership of an intangible asset. Furthermore, allocation of the total consideration of a contract to separately identifiable components requires considerable estimates and judgement to be made by Management. At inception and throughout the life of a contract Management is performing an analysis of the agreement with its partners based on available facts and circumstances at each assessment date such as historical experience and knowledge from the market to the extent obtainable. This includes also an understanding of the purpose of the deliverables under the contract and the negotiation taken place prior to concluding the contract.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Sale of smallpox vaccine | 324,258 | 360,523 | 874,307 |
| **Sale of goods** | **324,258** | **360,523** | **874,307** |
| Upfront payment, PROSTVAC | – | – | 398,538 |
| Contract work | 338,230 | 140,094 | 97,306 |
| **Sale of services** | **338,230** | **140,094** | **495,844** |
| **Revenue** | **662,488** | **500,617** | **1,370,151** |
| Total revenue includes: | | | |
| Fair value adjustment concerning financial instruments entered into to hedge revenue | (13,006) | 907 | – |
| ***Geographic split of revenue*** | | | |
| USA | 611,876 | 356,209 | 1,252,592 |
| The Netherlands | 49,768 | 107,078 | 66,202 |
| Canada | – | 32,545 | 31,994 |
| Other geographic markets | 844 | 4,785 | 19,363 |
| **Revenue** | **662,488** | **500,617** | **1,370,151** |

No revenue has been achieved on the Danish market in 2019, 2018 or 2017.

Revenue for the following customer represent more than 10% of total revenue:

- Biomedical Advanced Research and Development Authority (BARDA), USA, DKK 539.4 million (2018: DKK 342.3 million; 2017: DKK 840.3 million).
- Janssen Vaccines & Prevention B.V., The Netherlands, part of Johnson & Johnson Group, DKK 49.8 million (2018: DKK 107.1 million; 2017: DKK 66.2 million).

**Accounting for contract with Biomedical Advanced Research and Development Authority (BARDA)**

In September 2017 the Company secured a contract award from Biomedical Advanced Research and Development Authority (BARDA) for supply of freeze-dried smallpox vaccine. The potential value of the initial base and optional awards is in excess of USD 539 million. Initial base award secures additional smallpox bulk contract of USD 100 million and initial options valued at USD 439 million. The initial options are divided between two distinct areas, the first of which is the filling and freeze-drying of smallpox bulk products, with total potential value of USD 299 million. The second part of the contract contains provisions for clinical development, regulatory commitments, and parts of the establishment and validation of fill and finish activities, with potential value of up to USD 140 million. The award also contains options to acquire additional vaccine bulk and/or doses of smallpox vaccine in the future.

The bulk procurement contract of USD 100 million has been awarded under which the Company shall produce and deliver 40 bulk drug substance (BDS) batches of smallpox vaccine. Recognition of revenue occurs in concurrence with release of the BDS batches. Payment is due within 30 days after invoicing. The BDS products remain in the Company's physical possession as the procurement contract includes filling and freeze-drying of the BDS batches (a bill-and-hold arrangement). The Company is paid for the custodial service as part of the contract. As of December 31, 2019 all 40 BDS batches have been released and recognized as revenue. The filling activities are going to take place in Kvistgaard in 2021-2023 when the new fill and finish manufacturing facility is operational.

The Company has also been awarded funding for development work related to "Clinical activities to support licensure" of the freeze-dried version of smallpox vaccine. The contract is funded based on cost occurred plus a fixed margin. Recognition of revenue follows the timing of cost incurred. Payment is due within 30 days after invoicing.

A new award was obtained in January 2019 to cover qualification of the new fill and finish facility, as well as transfer and validation of the freeze-drying process (contract option valued at USD 44 million). In 2019 DKK 128 million was recognized as revenue. The majority of the remaining funds will be recognized as revenue in 2020. The contract is funded based on cost occurred plus a fixed margin. Recognition of revenue follows the timing of cost incurred. Payment is due within 30 days after invoicing.

**Accounting for license and collaboration agreements with Janssen Vaccines & Prevention B.V.**

The Company has concluded three license and collaboration agreements with Janssen Vaccines & Prevention B.V. for development of vaccines against cancers induced by human papillomavirus (HPV), hepatitis B virus (HBV) and the human immunodeficiency virus (HIV). All three contracts contains an upfront payment and subsequent milestone payments following the progress in the clinical development program.

Each contract has two performance obligations, both paid for by the upfront and milestone payments in the contracts: 1) Conduct development work according to the development plan and 2) Grant of a license

for use of MVA-BN® vector. Revenue for the development work is recognized over time using the "expected cost plus a margin approach", i.e. recognized over time based on cost incurred plus a margin. Allocation of revenue for the license grant is calculated using the "residual approach" by estimating the stand-alone selling price by reference to the total transaction price less the sum of the revenue allocated to the development work. When assessing residual value available for allocation to the license grant, expected costs for future development work are taken into consideration to ensure enough revenue is deferred to ensure an appropriate margin on the development work over the period until the next milestone payment event. The residual value is calculated and recognized as revenue for the license grant when a milestone payment is received. Revenue related to the license grant will increase over time if and when the next clinical milestone is reached, reflecting that the value of the license is expected in concurrence with the progress in the clinical development program.

Janssen Vaccines & Prevention B.V. obtains control of the development work in concurrence with work performed and therefore the recognition of revenue follows the timing of cost incurred.

As of December 31, 2019 prepayments under the contracts amount to DKK 6.6 million – corresponding to the work outstanding towards the next milestone events.

**Accounting for BMS PROSTVAC Agreement**

In March 2015, the Company entered into an Option and License Agreement with Bristol-Myers Squibb (BMS) under which the Group received an upfront option grant payment of DKK 399 million (USD 60 million). The upfront payment was recognized as income in September 2017, when the Company followed the recommendation from the independent Data Monitoring Committee to discontinue the PROSPECT study due to futility. Bristol-Myers Squibb terminated the the Option and License Agreement during 2018.

## NOTE 4 Production costs

Production costs consist of costs incurred in generating the revenue for the year. Costs for raw materials, consumables, production staff and a proportion of production overheads, including maintenance, amortization, depreciation and impairment of intangible and tangible assets used in production as well as operation, administration and management of the production facility are recognized as production costs. Amortization of acquired product rights are recognized as production costs. In addition, the costs related to excess capacity and write-down to net realisable value of goods on stock are recognized.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Cost of goods sold, sale of smallpox vaccine | 87,272 | 94,557 | 221,210 |
| Contract costs | 219,200 | 74,269 | 61,772 |
| Other production costs | 48,285 | 86,291 | 7,635 |
| **Production costs** | **354,757** | **255,117** | **290,617** |

The increase in contract costs is related to the clinical activities to support licensure of the freeze-dried version of smallpox vaccine and qualification of the new fill and finish facility including transfer and validation of the freeze-drying process.

Other production costs amounted to DKK 48.3 million (2018: DKK 86.3 million; 2017: DKK 7.6 million), of which net write-downs of inventory totaled DKK 4.0 million (2018: DKK 55.0 million; 2017: DKK 23.2 million). Development in write-downs is further described in note 19. The level of other production costs was very

low in 2017 due to better utilization of the facility. During fourth quarter 2017 the production schedule was changed to include further batches, which led to a higher allocation of production overheads.

The development in write-downs is shown in note 19.

## NOTE 5 Sales and distribution costs

**Accounting policies**

Sales and distribution costs comprise costs incurred for the sale and distribution of products sold during the year. This includes costs incurred for sales campaigns, training and administration of the sales force and for direct distribution, marketing and promotion. Also included are salaries and other costs for the sales, distribution and marketing functions, amortization, depreciation and other indirect costs.

## NOTE 6 Research and development costs

**Accounting policies**

Research and development costs include salaries and costs directly attributable to the Group's research and development projects, less government grants. Furthermore, salaries and costs supporting direct research and development, including costs of patents, rent, leasing and depreciation attributable to laboratories, and external scientific consultancy services, are recognized under research and development costs. No indirect or general overhead costs that are not directly attributable to research and development activities are included in the disclosure of research and development expenses recognized in the income statement.

Research costs are expensed in the year they occur.

Development costs are generally expensed in the year they occur. In line with industry custom, capitalization of development costs does not begin until it is deemed realistic that the product can be completed and marketed and it is highly likely that a marketing authorization will be received. In addition, there must be sufficient certainty that the future earnings to the Group will cover not only production costs, direct distribution and administrative costs, but also the development costs.

Contract research and development costs incurred to achieve revenue are included in "Research and development costs incurred this year" in the below tabel and then transferred under "Contract costs recognized as production costs" to be recognized as production costs.

Grants that compensate the Group for research and development expenses incurred, which are recognized directly in the income statement, are set off against the costs of research and development at the time when a final and binding right to the grant has been obtained.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Research and development costs incurred this year | 628,484 | 460,568 | 519,226 |
| ***Of which:*** | | | |
| Contract costs recognized as production costs (note 4) | (219,200) | (74,269) | (61,772) |
| Capitalized development costs regarding the smallpox vaccine development project | – | – | (8,564) |
| Expensing (amortization) of prior-year costs attributable to the smallpox vaccine development project | – | – | 69,515 |
| **Research and development costs recognized in the income statement** | **409,284** | **386,299** | **518,405** |

Research and development costs include expenses for external clinical research organizations, or CRO's, of DKK 140.6 million (2018: DKK 129.2 million; 2017 DKK 153.8 million).

On October 18, 2019, the Company announced that the stage 1 of the Phase 2 study evaluating the combination therapy of CV301 for the treatment of patients with bladder cancer did not meet the efficacy threshold to progress into stage 2 with expanded enrollment. Following this decision the CV301 development project for sale was expensed by DKK 22.2 million, cf. note 18.

Following the discontinuation of the PROSPECT study in September 2017, the PROSTVAC development project for sale was expensed by DKK 47.9 million in 2017, cf. note 18.

As per December 31, 2017 the smallpox vaccine development project was fully expensed.

## NOTE 7 Adminstrative costs

### Accounting policies

Administrative costs include costs of Group Management, staff functions, administrative personnel, office costs, rent, short-term lease payments and depreciation not relating specifically to production, research and development or sales and distribution.

## NOTE 8 Staff costs

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Wages and salaries | 312,020 | 294,727 | 293,191 |
| Contribution based pension | 24,927 | 22,556 | 23,599 |
| Social security expenses | 13,760 | 12,462 | 12,153 |
| Other staff expenses | 28,174 | 24,848 | 25,619 |
| Share-based payment, see specification in note 30 | 26,449 | 33,913 | 26,797 |
| **Staff costs** | **405,330** | **388,506** | **381,359** |
| ***Staff expenses are distributed as follows:*** | | | |
| Production costs | 162,986 | 123,036 | 145,153 |
| Research and development costs | 130,365 | 150,210 | 116,092 |
| Distribution costs | 20,630 | 19,058 | 18,041 |
| Administrative costs | 91,349 | 96,202 | 98,061 |
| Capitalized salaries | – | – | 4,012 |
| **Staff costs** | **405,330** | **388,506** | **381,359** |
| Average number of employees converted to full-time | 465 | 421 | 439 |
| Number of employees as of December 31 converted to full-time | 491 | 419 | 420 |

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

| | | | |
|---|---|---|---|
| ***Staff costs include the following costs*** | | | |
| ***Board of Directors*** | | | |
| Remuneration | 3,883 | 3,779 | 3,677 |
| Share-based payment | 1,350 | 1,200 | 1,350 |
| **Remuneration to Board of Directors** | **5,233** | **4,979** | **5,027** |
| ***Executive Management*** | | | |
| Salary | 5,061 | 7,715 | 8,719 |
| Paid bonus | 869 | 2,388 | 1,649 |
| Other employee benefits | 649 | 787 | 884 |
| Contribution based pension | – | 204 | 347 |
| Share-based payment | 5,483 | 9,120 | 7,724 |
| Salary and benefits in notice period | – | 3,611 | – |
| **Corporate Management** | **12,062** | **23,825** | **19,323** |
| Salary | 8,126 | 5,364 | 3,353 |
| Paid bonus | 960 | 696 | 400 |
| Other employee benefits | 484 | 350 | 253 |
| Contribution based pension | 827 | 536 | 335 |
| Share-based payment | 6,316 | 5,166 | 1,513 |
| **Other Executive Management** | **16,713** | **12,112** | **5,854** |
| **Remuneration to Executive Management** | **28,775** | **35,937** | **25,177** |
| **Total management remuneration** | **34,008** | **40,916** | **30,204** |

CEO and President of the Company Paul Chaplin constitutes the Corporate Management in the Parent Company. Former CFO Ole Larsen was also part of Corporate Management until his resignation July 31, 2018. CFO Henrik Juuel, COO Henrik Birk and CBO Tommi Kainu constitute the Other Executive Management.

**Restricted stock units**

In March 2019 Corporate Management was granted 6,043 restricted stock units (excl. matching shares) (2018: 4,063 restricted stock units; 2017: 5,642 restricted stock units) corresponding to a value of DKK 0.9 million (2018: DKK 1.0 million; 2017: DKK 1.6 million) at grant. Other Executive Management was granted 6,679 restricted stock units (excl. matching shares) (2018: 2,847 restricted stock units) corresponding to a value of DKK 1.0 million (2018: DKK 0.7 million at grant). In November 2018 the new CFO was granted a sign-on bonus of 6,767 restricted stock units (excl. matching shares) corresponding to a value of DKK 1.1 million at grant.

In April 2019, the members of the Board of Directors were granted in total 9,765 restricted stock units (2018: 6,857 restricted stock units; 2017: 3,693 restricted stock units) corresponding to 50% of their fixed fee amounting to DKK 1.4 million (2018: DKK 1.2 million; 2017: DKK 1.3 million).
For further description of restricted stock units see note 30.

**Warrants**

In November 2019 Corporate Management was granted 78.201 warrants (2018: 57,749 warrants; 2017: 87,068 warrants) with a fair value of DKK 3.6 million (2018: DKK 3.0 million; 2017: DKK 7.0 million). Other Executive Management was granted 105.161 warrants (2018: 117,295 warrants; 2017: 79,277 warrants) with a fair value of DKK 4.8 million (2018: DKK 6.1 million; 2017: DKK 6.8 million). Fair value calculated based on Black-Scholes, cf. note 30.

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

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

## NOTE 9 Depreciation and amortization

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| ***Depreciation and amortization included in:*** | | | |
| Production costs | 31,411 | 30,223 | 31,919 |
| Research and development costs | 2,529 | 2,564 | 2,694 |
| Administrative costs | 23,105 | 8,852 | 2,916 |
| **Depreciation and amortization** | **57,045** | **41,639** | **37,529** |
| Hereof loss from disposed fixed assets | – | – | 239 |

Depreciations have increased as significant IT-investments were capitalized during 2017, 2018 and 2019.

## NOTE 10 Fees to auditor appointed at the annual general meeting

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Audit of financials statements | 1,300 | 1,199 | 1,640 |
| Other assurance services | 421 | 135 | 66 |
| Tax advisory | 877 | 605 | 1,640 |
| Other services | 231 | 175 | 516 |
| **Fees** | **2,829** | **2,114** | **3,862** |

The fee for non-audit services provided to the Group by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0.9 million (2018: DKK 0.6 million; 2017: DKK 1.6 million) and consisted of assistance with compliance reviews, and other accounting and tax advisory services. Fees related to the ongoing rights issue process amount to DKK 0.3 million. In 2019 and 2018 the tax advisory included assistance related to the transfer pricing audit, described in note 13. In 2017 the tax advisory included assistance related to filing of an Advanced Price Agreement (APA).

## NOTE 11 Financial income

### Accounting policies

Interest income is recognized in the income statement at the amounts relating to the financial year. Financial income also includes net positive value adjustments of financial instruments and securities, adjustment of the net present value of provisions and net currency gains.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Financial income from bank and deposit contracts | 602 | 842 | 644 |
| **Interest income from financial assets measured at amortized cost** | **602** | **842** | **644** |
| Financial income from securities | 16,435 | 21,765 | 20,817 |
| Net gains on derivative financial instruments at fair value through the income statement | 5,503 | – | 12,720 |
| Adjustment of net present value of provisions | – | – | 22,245 |
| Net foreign exchange gains | – | 12,366 | – |
| **Financial income** | **22,540** | **34,973** | **56,426** |

## NOTE 12 Financial expenses

### Accounting policies

Interest expenses are recognized in the income statement at the amounts relating to the financial year. Financial expenses also include net negative value adjustments of financial instruments and securities and net currency losses.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Interest expenses on debt | 18,490 | 14,531 | 5,678 |
| **Interest expenses on financial liabilities measured at amortized cost** | **18,490** | **14,531** | **5,678** |
| Fair value adjustments on securities | 15,330 | 18,667 | 12,319 |
| Net loss on derivative financial instruments at fair value through the income statement | – | 3,928 | – |
| Net foreign exchange losses | 5,023 | – | 89,343 |
| **Financial expenses** | **38,843** | **37,126** | **107,340** |

Net foreign exchange losses for 2017 were mainly related to the decreasing USD/DKK exchange rate and included DKK 45.0 million of unrealized losses related to intercompany receivable with Bavarian Nordic, Inc.

## NOTE 13 Tax for the year

### Accounting policies

Income tax for the year comprises current tax and deferred tax for the year. The part relating to the profit for the year is recognized in the income statement, and the part attributable to items in the comprehensive income is recognized in the comprehensive income statement.

The tax effect of costs that have been recognized directly in equity is recognized in equity under the relevant items.

Current tax receivable is recognized in the balance sheet under current asset.

Current tax payable but not yet paid is recognized in the balance sheet under current liabilities.

Deferred tax is measured using the balance sheet liability method on all temporary differences between accounting values and tax values. Deferred tax liabilities arising from temporary tax differences are recognized in the balance sheet as a liability.

Deferred tax assets arising from temporary deductible differences and tax losses carried forward are recognized when it is probable that they can be realized by offsetting them against taxable temporary differences or future taxable profits. At each balance sheet date, it is assessed whether it is probable that there will be sufficient future taxable income for the deferred tax asset to be utilized.

Deferred income tax is provided on temporary taxable differences arising on investments in subsidiaries, unless the parent company is able to control the timing when the deferred tax is to be realized and it is likely that the deferred tax will not be realized within the foreseeable future.

Deferred tax is calculated at the tax rates applicable on the balance sheet date for the income years in which the tax asset is expected to be utilized.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| ***Tax recognized in the income statement*** | | | |
| Current tax on profit for the year | 3,121 | 4,004 | 2,876 |
| Adjustments to current tax for previous years | (1,093) | 1,288 | 613 |
| **Current tax** | **2,028** | **5,292** | **3,489** |
| Change in deferred tax | – | – | 120,244 |
| Adjustments to deferred tax for previous years | – | – | (2,796) |
| **Deferred tax** | **–** | **–** | **117,448** |
| **Tax for the year recognized in the income statement** | **2,028** | **5,292** | **120,937** |
| ***Tax on income for the year is explained as follows:*** | | | |
| Income before company tax | (344,749) | (356,635) | 302,280 |
| Calculated tax (22.0%) on income before company tax | (75,845) | (78,460) | 66,502 |
| ***Tax effect on:*** | | | |
| Different tax percentage in foreign subsidiaries | (1,321) | 9 | (1,405) |
| Non-recognized deferred tax asset on current year losses in foreign subsidiaries | 5,458 | 3,835 | 5,675 |
| Income ()/expenses that are not taxable/deductible for tax purposes | 1,755 | 1,100 | (5,465) |
| Change in non-recognized deferred tax asset | (10,139) | – | (30,927) |
| Write-down of deferred tax asset | 83,213 | 77,520 | 88,740 |
| Adjustments to deferred tax for previous years | – | – | (2,796) |
| Adjustments to current tax for previous years | (1,093) | 1,288 | 613 |
| **Tax on income for the year** | **2,028** | **5,292** | **120,937** |
| ***Tax recognized in other comprehensive income*** | | | |
| Tax on change in fair value of financial instruments entered into to hedge future cash flows | – | – | 57 |
| ***Tax recognized in equity*** | | | |
| Tax on share based payment | – | – | 12,968 |

Tax on income is an expense of DKK 2.0 million (2018: DKK 5.3 million; 2017: DKK 120.9 million), corresponding to a negative effective tax rate of 0.6% (2018: -1.5%; 2017: 40.0%). The effective tax rates for 2017-2019 were impacted by write-down of the tax asset. The effective tax rates for 2017 and 2019 were also impacted by the change in non-recognized tax asset related to write-down of CV301 and PROSTVAC.

| | | | | 2019 |
|---|---|---|---|---|
| DKK thousand | January 1, 2019 | Recognized in the income statement | Recognized in equity | December 31, 2019 |
| Intangible assets | 3,703 | (1,663) | – | 2,040 |
| Property, plant and equipment | 15,515 | 7,078 | – | 22,593 |
| Right-of-use assets | – | 55 | – | 55 |
| Development projects for sale | 17,420 | 15,026 | – | 32,446 |
| Accrued project costs | (7,335) | 6,545 | – | (790) |
| Financial instruments | 78 | – | (581) | (503) |
| Share-based payment | 4,154 | 4,419 | – | 8,573 |
| Tax losses carried forward | 310,359 | 51,753 | – | 362,112 |
| Write-down | (343,894) | (83,213) | 581 | (426,526) |
| **Recognized deferred tax assets** | **–** | **–** | **–** | **–** |

| | | | | | 2018 |
|---|---|---|---|---|---|
| DKK thousand | January 1, 2018 | Adjustment to previous year | Recognized in the income statement | Recognized in equity | December 31, 2018 |
| Intangible assets | 5,366 | – | (1,663) | – | 3,703 |
| Property, plant and equipment | 6,602 | 2,419 | 6,494 | – | 15,515 |
| Development projects for sale | 17,420 | – | – | – | 17,420 |
| Accrued project costs | – | – | (7,335) | – | (7,335) |
| Financial instruments | 28 | – | – | 50 | 78 |
| Share-based payment | 10,441 | – | 4,661 | (10,948) | 4,154 |
| Tax losses carried forward | 241,859 | (6,863) | 75,363 | – | 310,359 |
| Write-down | (281,716) | 4,444 | (77,520) | 10,898 | (343,894) |
| **Recognized deferred tax assets** | **–** | **–** | **–** | **–** | **–** |

| | | | | 2017 |
|---|---|---|---|---|
| DKK thousand | January 1, 2017 | Recognized in the income statement | Recognized in equity | December 31, 2017 |
| Intangible assets | (3,763) | 9,129 | – | 5,366 |
| Property, plant and equipment | 3,363 | 3,239 | – | 6,602 |
| Development projects for sale | (24,039) | 41,459 | – | 17,420 |
| Prepayment from customers | 89,209 | (89,209) | – | – |
| Financial instruments | 57 | – | (29) | 28 |
| Share-based payment | 23,504 | (11,043) | (2,020) | 10,441 |
| Tax losses carried forward | 224,142 | 17,717 | – | 241,859 |
| Write-down | (182,000) | (88,740) | (10,976) | (281,716) |
| **Recognized deferred tax assets** | **130,473** | **(117,448)** | **(13,025)** | **–** |

**Deferred tax**

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

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

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

The tax value of non-recognized tax losses carried forward in Bavarian Nordic A/S and the two Danish subsidiaries amounts to DKK 362.2 million (2018: DKK 310.4 million; 2017: DKK 241.9 million), whereas the tax value of non-recognized temporary deductible differences amounts to DKK 64.4 million (2018: DKK 33.5 million; 2017: DKK 39.8 million) as a result of the write-down. Tax rate used for Danish entities is 22%.

The tax value of non-recognized tax losses carried forward in subsidiary Bavarian Nordic, Inc. amounts to DKK 91.3 million (2018: DKK 88.1 million; 2017: DKK 87.7 million) of which DKK 9.1 million (2018: DKK 9.4 million; 2017: DKK 9.9 million) relates to state tax and DKK 82.2 million (2018: DKK 78.7 million; 2017: DKK 77.8 million) relates to federal tax (tax rate of 21%). The tax value of non-recognized tax credits carried forward in subsidiary Bavarian Nordic, Inc. amounts to DKK 77.5 million (2018: DKK 70.3 million; 2017: DKK 69.0 million) of which DKK 39.2 million (2018: DKK 34.7 million; 2017: DKK 33.4 million) relates to state tax and DKK 38.3 million (2018: DKK 35.6 million; 2017: DKK 35.6 million) relates to federal tax. As Bavarian Nordic, Inc. has moved from California to North Carolina the state tax losses and state tax credit carried forward will most likely never be utilized.

Bavarian Nordic GmbH has no tax losses carried forward.

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

**Tax audit**

In April 2018 the Danish tax authority ("Skattestyrelsen") notified the Company that Skattestyrelsen was proposing an 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. During 2018 and 2019 the Company has been in dialogue with Skattestyrelsen regarding the proposal. On July 1, 2019, Skattestyrelsen decided to withdraw the proposed adjustment. The transfer pricing tax audit for 2012-2016 has thereby been completed without any changes to taxable income.

## NOTE 14 Earnings per share (EPS)

**Accounting policies**

Earnings per share is calculated as the profit or loss for the year compared to the weighted average of the issued shares in the financial year. The basis for the calculation of diluted earnings per share is the weighted-average number of ordinary shares in the financial year adjusted for the dilutive effects of warrants.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Net profit for the year | (346,777) | (361,927) | 181,343 |
| Earnings per share of DKK 10 | (10.7) | (11.2) | 5.7 |
| Diluted earnings per share of DKK 10 | (10.7) | (11.2) | 5.7 |
| The weighted average number of ordinary shares for the purpose of diluted earning per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows: | | | |
| Weighted average number of ordinary shares (thousand units) | 32,340 | 32,282 | 31,649 |
| Weighted average number of treasury shares (thousand units) | (59) | (27) | (19) |
| Weighted average number of outstanding ordinary shares used in the calculation of basic earnings per share (thousand units) | 32,281 | 32,255 | 31,630 |
| Average dilutive effect of outstanding warrants under incentive schemes | – | – | 252 |
| Weighted average number of outstanding ordinary shares used in the calculation of diluted earnings per share (thousand units) | 32,281 | 32,255 | 31,882 |

| Outstanding warrants that may have an effect on the calculation of diluted earnings per share in the future. | | | |
|---|---|---|---|
| 2019-program | 564,585 | – | – |
| 2018-program | 462,835 | 520,411 | – |
| 2017-programs | 323,763 | 364,340 | 397,860 |
| 2016-program | 366,690 | 408,690 | 438,759 |
| 2015-program | 293,630 | 297,230 | 304,663 |
| 2014-program | 118,500 | 247,000 | 257,000 |
| 2013-program | – | – | 61,400 |
| **Outstanding warrants, cf. note 30** | **2,130,003** | **1,837,671** | **1,459,682** |

## NOTE 15 Intangible assets

### Accounting policies

Intangible assets are measured at historic cost less accumulated amortization and impairment losses. Cost of acquired product rights are measured at cash consideration and present value of any deferred payments for those rights including contingent payments if and when they are probable and can be measured reliably. If and when contingent consideration not previous recognized subsequently becomes probably it is recognized at present value and added to the cost of the product rights. Furthermore costs of acquired product rights include transaction costs that are directly attributable to the acqusition.

Internal development projects that meet the requirements for recognition as intangible assets are measured at direct cost relating to the development projects.

Amortization is provided on a straight-line basis over the useful economic lives of the assets.

The useful lives of acquired product rights are estimated to be 20 years and software is estimated to be 3-5 years.

Amortization of acquired product rights is recognized as part of cost of goods sold under production costs.

***Impairment***

The carrying amounts of intangible assets carried at cost or amortized cost are tested at least annually to determine whether there are indications of any impairment in excess of that expressed in normal amortization. If that is the case, the asset is written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses on intangible assets are recognized under the same line item as amortization of the assets.

For development projects in progress, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

***Significant accounting estimates***

When determining the amortization period for acquired product rights, Management need to make an assessment of expected useful economic life. In the assessment Management take among other things the following components into consideration: The maturity of the products acquired, development in the market the acquired products are targeting, the current competitors, clinical development of new competing products and entry barriers to the market due to advanced production technology.

| | | | | 2019 |
|---|---|---|---|---|
| DKK thousand | Products rights | Software | Other intangible assets in progress | Total |
| Costs as of January 1, 2019 | – | 100,626 | 119 | 100,745 |
| Additions | 5,458,700 | 364 | 2,974 | 5,462,038 |
| Transfer | – | 50 | (50) | – |
| Exchange rate adjustments | – | 1 | – | 1 |
| **Cost as of December 31, 2019** | **5,458,700** | **101,041** | **3,043** | **5,562,784** |
| Amortization as of January 1, 2019 | – | 68,245 | – | 68,245 |
| Amortization | – | 10,282 | – | 10,282 |
| Exchange rate adjustments | – | 2 | – | 2 |
| **Amortization as of December 31, 2019** | **–** | **78,529** | **–** | **78,529** |
| **Carrying amount as of December 31, 2019** | **5,458,700** | **22,512** | **3,043** | **5,484,255** |
| ***Geographical split of intangible assets – 2019*** | | | | |
| Denmark | | | | 5,483,903 |
| Germany | | | | 177 |
| USA | | | | 175 |
| **Total intangible assets** | | | | **5,484,255** |

**Product rights**

December 31, 2019 the Company acquired the product rights to two commercial products owned by GlaxoSmithKline – Rabipur/RabAvert and Encepur. The products are further described in the Management Commentary.

The products have been on the market for more than 20 years. There is no need to further develop the products. Management assess that it will require up to 10 years of clinical development for competitors to bring a new competing product to the market likewise the production process required to produce

these products is highly complex. Based on these factors Management assess that the acquired product rights should be amortized over 20 years.

The acquisition price for the two product rights consist of the upfront payment and the present value of the milestone payments included in the Asset Purchase Agreement with GlaxoSmithKline, see further below. Transaction costs that are directly attributable to the acquisition have also been included in the acquisition price. The upfront payment and the transaction costs have been divided between the two acquired product rights based on a 60%/40% split equal to the historical revenue split of the two products. The milestone payments, except for the sales milestone, are specific for each product and have been allocated accordingly.

| | 2019 |
|---|---|
| ***Acquisition price for product rights*** | |
| DKK thousand | Total |
| Upfront payment at closing (EUR 307.6 million) | 2,297,680 |
| Directly attributable transaction costs | 9,890 |
| **Cash outflow in 2019, cf. cash flow statement** | **2,307,570** |
| Net present value of future probable milestone payments, cf. note 25 | 3,151,130 |
| **Total acquisition price** | **5,458,700** |
| ***Allocation of acquisition price:*** | |
| Rabipur/RabAvert | 3,140,250 |
| Encepur | 2,318,450 |
| **Total acquisition price** | **5,458,700** |

The milestone payments relate to transfer and re-registration of marketing authorizations, technology transfer of different steps of the production and packaging activities as well as a milestone payment when all services agreed to be rendered by GlaxoSmithKline has been completed. The Asset Purchase Agreement specifies the above milestone payments for each product. In total EUR 470 million. The first milestone payments are expected to be payable at the end of first half of 2020 whereas the majority of the milestone payments are expected in 2022-2023. The completion milestone is expected to be payable end of 2024. The Asset Purchase Agreement with GlaxoSmithKline also includes a sales milestone of EUR 25 million. The sales milestone is related to the total revenue of the two products. As per December 31, 2019 Management does not judge the sales milestone to be probable and therefore the sales milestone has not been recognized as part of the product rights.

Deferred consideration for the acquired product rights are described in note 25.

| | | | 2018 |
|---|---|---|---|
| DKK thousand | Software | Other intangible assets in progress | Total |
| Costs as of January 1, 2018 | 86,875 | 5,704 | 92,579 |
| Additions | 10,067 | 119 | 10,186 |
| Transfer | 3,678 | (3,678) | – |
| Transfer to/from property, plant and equipment | – | (2,026) | (2,026) |
| Exchange rate adjustments | 6 | – | 6 |
| **Cost as of December 31, 2018** | **100,626** | **119** | **100,745** |
| Amortization as of January 1, 2018 | 59,587 | – | 59,587 |
| Amortization | 8,651 | – | 8,651 |
| Exchange rate adjustments | 7 | – | 7 |
| **Amortization as of December 31, 2018** | **68,245** | **–** | **68,245** |
| **Carrying amount as of December 31, 2018** | **32,381** | **119** | **32,500** |
| ***Geographical split of intangible assets – 2018*** | | | |
| Denmark | | | 32,109 |
| Germany | | | 391 |
| **Total intangible assets** | | | **32,500** |

| | | | 2017 |
|---|---|---|---|
| DKK thousand | Software | Other intangible assets in progress | Total |
| Costs as of January 1, 2017 | 62,338 | 16,903 | 79,241 |
| Additions | 8,073 | 5,704 | 13,777 |
| Transfer | 16,903 | (16,903) | – |
| Disposals | (388) | – | (388) |
| Exchange rate adjustments | (51) | – | (51) |
| **Cost as of December 31, 2017** | **86,875** | **5,704** | **92,579** |
| Amortization as of January 1, 2017 | 57,173 | – | 57,173 |
| Amortization | 2,853 | – | 2,853 |
| Disposals | (388) | – | (388) |
| Exchange rate adjustments | (51) | – | (51) |
| **Amortization as of December 31, 2017** | **59,587** | **–** | **59,587** |
| **Carrying amount as of December 31, 2017** | **27,288** | **5,704** | **32,992** |
| ***Geographical split of intangible assets – 2017*** | | | |
| Denmark | | | 32,542 |
| Germany | | | 450 |
| **Total intangible assets** | | | **32,992** |

Other intangible assets in progress include investments in software.

## NOTE 16 Property, plant and equipment

**Accounting policies**

Property, plant and equipment include land and buildings, production equipment, leasehold improvements, office and IT equipment and laboratory equipment and is measured at cost less accumulated depreciation and impairment losses.

Cost includes the costs directly attributable to the purchase of the asset, until the asset is ready for use. For assets constructed by the Group cost includes materials, components, third-party suppliers and labour.

Borrowing costs directly attributable to the construction of property, plant and equipment are included in cost. Other borrowing costs are recognized in the income statement.

Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year. Assets are depreciated on a straightline basis over their estimated useful lives as follows:

Buildings 10-20 years
Installations 5-15 years
Leasehold improvements 5 years
Office and IT equipment 3-5 years
Laboratory equipment 5-10 years
Production equipment 3-15 years

Management reviews the estimated useful lives of material property, plant and equipment at the end of each financial year.

***Impairment***

The carrying amounts of property, plant and equipment carried at cost or amortized cost are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal depreciation. If that is the case, the asset is written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses on property, plant and equipment are recognized under the same line item as depreciation of the assets.

| | | | | | | 2019 |
|---|---|---|---|---|---|---|
| DKK thousand | Land and buildings | Leasehold improve-ment | Plant and machinery | Other fixtures and fittings, other plant and equipment | Assets under con-struction | Total |
| Costs as of January 1, 2019 | 322,500 | 11,107 | 301,174 | 86,895 | 262,114 | 983,790 |
| Additions | – | – | – | 1,600 | 358,502 | 360,102 |
| Transfer | – | – | – | 2,515 | (2,515) | – |
| Exchange rate adjustments | 1 | 5 | – | 62 | – | 68 |
| **Cost as of December 31, 2019** | **322,501** | **11,112** | **301,174** | **91,072** | **618,101** | **1,343,960** |
| Depreciation and impairment losses as of January 1,2019 | 143,058 | 10,060 | 246,863 | 65,001 | – | 464,982 |
| Depreciation | 17,116 | 204 | 10,046 | 5,673 | – | 33,039 |
| Exchange rate adjustments | – | 5 | – | 30 | – | 35 |
| **Depreciation and impairment losses as of December 31, 2019** | **160,174** | **10,269** | **256,909** | **70,704** | **–** | **498,056** |
| **Carrying amount as of December 31, 2019** | **162,327** | **843** | **44,265** | **20,368** | **618,101** | **845,904** |

Assets under construction relates to the fill and finish manufacturing facility in Kvistgaard.

The Company has not incurred any borrowing costs directly attributable to the construction of the fill finish manufacturing facility, hence no borrowing costs have been capitalized.

| ***Geographical split of property, plant and equipment – 2019*** | |
|---|---|
| Denmark | 832,778 |
| Germany | 12,043 |
| USA | 1,083 |
| **Total property, plant and equipment** | **845,904** |

Mortgage loans of DKK 25.4 million are secured by mortgages totaling DKK 50.0 million on the property Bøgeskovvej 9/Hejreskovvej 10A, Kvistgaard. In addition, as of December 31, 2019, mortgage deeds for a total of DKK 75.0 million have been issued. The carrying amount of assets mortgaged in security of mortgage loans is DKK 745.7 million (land and buildings: DKK 162.3 million; plant and machinery: DKK 44.3 million; fill and finish facility under construction: DKK 539.1 million).

2018

| DKK thousand | Land and buildings | Leasehold improve-ment | Plant and machinery | Other fixtures and fittings, other plant and equipment | Assets under con-struction | Total |
|---|---|---|---|---|---|---|
| Costs as of January 1, 2018 | 320,059 | 10,946 | 294,046 | 80,025 | 74,977 | 780,053 |
| Additions | 485 | – | 1,302 | 1,687 | 198,301 | 201,775 |
| Transfer | 1,654 | 136 | 4,835 | 4,524 | (11,232) | (83) |
| Transfer to intangible assets | 299 | – | 1,220 | 507 | – | 2,026 |
| Disposals | – | – | (229) | – | – | (229) |
| Exchange rate adjustments | 3 | 25 | – | 152 | 68 | 248 |
| **Cost as of December 31, 2018** | **322,500** | **11,107** | **301,174** | **86,895** | **262,114** | **983,790** |
| Depreciation and impairment losses as of January 1, 2018 | 125,904 | 9,617 | 237,060 | 59,494 | – | 432,075 |
| Depreciation | 17,152 | 419 | 10,032 | 5,385 | – | 32,988 |
| Disposals | – | – | (229) | – | – | (229) |
| Exchange rate adjustments | 2 | 24 | – | 122 | – | 148 |
| **Depreciation and impairment losses as of December 31, 2018** | **143,058** | **10,060** | **246,863** | **65,001** | **–** | **464,982** |
| **Carrying amount as of December 31, 2018** | **179,442** | **1,047** | **54,311** | **21,894** | **262,114** | **518,808** |

Assets under construction relates to the fill and finish manufacturing facility in Kvistgaard.

| ***Geographical split of property, plant and equipment – 2018*** | |
|---|---|
| Denmark | 507,210 |
| Germany | 10,208 |
| USA | 1,390 |
| **Total property, plant and equipment** | **518,808** |

Mortgage loans of DKK 27.6 million are secured by mortgages totaling DKK 50.0 million on the property Bøgeskovvej 9/Hejreskovvej 10A, Kvistgaard. In addition, as of December 31, 2018, mortgage deeds for a total of DKK 75.0 million have been issued. The carrying amount of assets mortgaged in security of mortgage loans is DKK 459.5 million (land and buildings: DKK 179.4 million; plant and machinery: DKK 54.3 million; fill and finish facility under construction: DKK 225.8 million).

| | | | | | 2017 | |
|---|---|---|---|---|---|---|
| DKK thousand | Land and buildings | Leasehold improve-ment | Plant and machinery | Other fixtures and fittings, other plant and equipment | Assets under con-struction | Total |
| Costs as of January 1, 2017 | 312,049 | 9,888 | 279,566 | 77,774 | 48,894 | 728,171 |
| Additions | 2,204 | 342 | 375 | 2,070 | 51,366 | 56,357 |
| Transfer | 5,806 | 707 | 14,105 | 4,671 | (25,289) | – |
| Disposals | – | – | – | (4,383) | – | (4,383) |
| Exchange rate adjustments | – | 9 | – | (107) | 6 | (92) |
| **Cost as of December 31, 2017** | **320,059** | **10,946** | **294,046** | **80,025** | **74,977** | **780,053** |
| Depreciation and impairment losses as of January 1, 2017 | 109,245 | 9,210 | 224,663 | 58,717 | – | 401,835 |
| Depreciation | 16,659 | 397 | 12,397 | 4,984 | – | 34,437 |
| Disposals | – | – | – | (4,110) | – | (4,110) |
| Exchange rate adjustments | – | 10 | – | (97) | – | (87) |
| **Depreciation and impairment losses as of December 31, 2017** | **125,904** | **9,617** | **237,060** | **59,494** | **–** | **432,075** |
| **Carrying amount as of December 31, 2017** | **194,155** | **1,329** | **56,986** | **20,531** | **74,977** | **347,978** |

| ***Geographical split of property, plant and equipment – 2017*** | |
|---|---|
| Denmark | 334,909 |
| Germany | 11,582 |
| USA | 1,487 |
| **Total property, plant and equipment** | **347,978** |

Mortgage loans of DKK 29.7 million are secured by mortgages totaling DKK 50.0 million on the property Bøgeskovvej 9/Hejreskovvej 10A, Kvistgaard. In addition, as of December 31, 2017, mortgage deeds for a total of DKK 75.0 million have been issued. The carrying amount of assets mortgaged in security of mortgage loans is DKK 251.2 million (land and buildings: DKK 194.2 million; plant and machinery: DKK 57.0 million).

## NOTE 17 Right-of-use-assets

### Accounting policies

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

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

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

The right-of-use-assets are measured at the present value of all future lease payments. When assessing the lease term, any extension or termination options are included in the assessment. The options are included in determining the lease term, if exercise is reasonably certain. When determining the discount rates used to calculate the net present value of future lease payments, an incremental country specific borrowing rate are used, based on a government bond plus the Group's credit margin, ranging from 2.5%

to 5.0%. A single discount rate is used for a portfolio of lease assets with reasonable similar characteristics. Initial direct costs are not included in measurement of the right-of-use-assets. Non-lease components are not separated from lease components.

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. IAS 36 is applied to determine whether a right-of-use asset is impaired and any identified impairment losses are accounted for as described in note 16.

| | | | | 2019 |
|---|---|---|---|---|
| DKK thousand | Rent facility | Car leasing | Equipment | Total |
| Impact from applying IFRS 16 as of January 1 | 80,470 | 1,736 | 662 | 82,868 |
| Additions | – | 1,039 | 306 | 1,345 |
| Modifications | (10,419) | 292 | (64) | (10,191) |
| Depreciations | (11,975) | (1,439) | (310) | (13,724) |
| Exchange rate adjustments | 293 | – | (1) | 292 |
| **Right-of-use assets as of December 31** | **58,369** | **1,628** | **593** | **60,590** |

The lease agreement for Bavarian Nordic Inc.'s previous facility in Redwood City, California with a lease term until October 2021 was ceased end of February 2019. The change in the right-of-use-asset is presented as a modification.

| | 2019 |
|---|---|
| ***Amounts included in the income statement*** | |
| DKK thousand | Total |
| Interest expense leases | 1,771 |
| Depreciation recognized on right-of-use assets | 13,724 |
| Cost recognized for short term leases (less than 12 months) | 1,507 |
| Income from subleasing right-of-use assets | 365 |

## NOTE 18 Development projects for sale

### Accounting policies

Development projects for sale consist of licenses that have been acquired with the intent to further develop the technology and subsequently disposal of the licenses either through a sale or by entering into a partnership agreement under which the licenses are assumed to be transferred to the partner. Only the license payments to acquire the licenses are capitalized whereas all costs related to further development of the technology are expensed in the year they occur unless the criteria for recognition as an asset are met.

At initial recognition acquired licenses are measured at cost. Subsequently the acquired licenses are measured at the lower of cost and net realisable value.

The net realisable value is the estimated sales price in the ordinary course of business less relevant sales costs determined on the basis of marketability.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Development projects for sale January 1 | 22,200 | 22,200 | 70,069 |
| Write-down | (22,200) | – | (47,869) |
| **Development projects for sale December 31** | **–** | **22,200** | **22,200** |
| | | | |
| ***Specification*** | | | |
| CV301 | – | 22,040 | 22,040 |
| BN-Brachyury | – | 160 | 160 |
| **Development projects for sale** | **–** | **22,200** | **22,200** |

On October 18, 2019, the Company announced that the stage 1 of the Phase 2 study evaluating the combination therapy of CV301 for the treatment of patients with locally advanced or metastatic urothelial bladder cancer did not meet the efficacy threshold to progress into stage 2 with expanded enrollment. As a consequence the Company will not invest further in the development of CV301, apart from supporting the continuation of stage 1 of the bladder study and supporting the ongoing investigator led studies. Following this decision the CV301 development project for sale was fully written down. The write-down of DKK 22.2 million was recognized as research and development costs.

Following the discontinuation of the PROSPECT study in September 2017 the asset was fully written down. The write-down of DKK 47.9 million was recognized as research and development costs.

## NOTE 19 Inventories

### Accounting policies

Inventories are measured at the lower of cost using a weighted average cost formula method and net realisable value. For raw materials, cost is determined based on a standard cost approach. The cost of finished goods produced in-house and work in progress includes raw materials, consumables, filling cost, QC testing and direct payroll costs plus indirect costs of production. Indirect costs of production include indirect materials and labour as well as maintenance of and depreciation on the equipment used in production processes and the factory buildings and cost of production administration and management. Amortization of acquired product rights and software also constitute part of the indirect costs of production.

The net realisable value is the estimated sales price in the ordinary course of business less relevant sales costs determined on the basis of marketability, obsolescence and changes in the expected sales price."

### Significant accounting estimates

Production overheads are measured on the basis of actual costs. The basis of the actual costs is reassessed regularly to ensure that they are adjusted for changes in the utilization of production capacity, production changes and other relevant factors.

Biological living material is used, and the measurements and assumptions for the estimates made may be incomplete or inaccurate, and unexpected events or circumstances may occur, which may cause the actual outcomes to later deviate from these estimates. It may be necessary to change previous estimates as a result of changes in the assumptions on which the estimates were based or due to new information or subsequent events, for which certainty could not be achieved in the earlier estimates.

Estimates that are significant to the financial reporting are made in the determination of any write-downs of inventories as a result of "out-of-specification" products, expiry of products and sales risk.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Raw materials and supply materials | 39,578 | 28,391 | 31,805 |
| Work in progress | 163,513 | 156,232 | 129,607 |
| Manufactured goods and commodities | 1,727 | 1,757 | 3,140 |
| Write-down on inventory | (104,056) | (107,692) | (52,705) |
| **Inventories** | **100,762** | **78,688** | **111,847** |
| Write-down on inventory as of January 1 | (107,692) | (52,705) | (110,697) |
| Write-down for the year | (17,824) | (54,987) | (23,199) |
| Use of write-down | 7,683 | – | 81,191 |
| Reversal of write-down | 13,777 | – | – |
| **Write-down on inventory as of December 31** | **(104,056)** | **(107,692)** | **(52,705)** |
| **Cost of goods sold amounts to, cf. note 4** | **87,272** | **94,557** | **221,210** |

The increased write-down in 2018 was primarily explained by a provision for the remaining PROSTVAC bulk and finished products as well as a provision for smallpox bulk batches that failed first validation. In 2019 it became clear that none of the four batches could be released for fill of commercial vials, but three of the batches were usable for the validation of the freeze-drying production process funded by BARDA, hence the write-down allocated to those batches was reversed in 2019.

"Out-of-specification" products written down in previous years were discarded during 2017.

## NOTE 20 Trade receivables

### Accounting policies

Receivables are measured at initial recognition at fair value and subsequently at amortized value usually equal to the nominal value, net of impairment based on expected credit losses.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Trade receivables from smallpox vaccine sale | 281 | – | 5,587 |
| Trade receivables from contract work | 43,124 | 31,227 | 13,809 |
| **Trade receivables** | **43,405** | **31,227** | **19,396** |

The Group has applied the simplified approach to measure the expected credit loss and a lifetime expected loss allowance for all trade receivables. Historically the Group hasn't recognized losses on receivables. The Group's customers are predominantly public authorities and renowned pharmaceutical companies and therefore the credit risk is very low. There are no overdue receivables as of December 31, 2019. No losses are expected on trade receivables and therefore no loss allowance for trade receivables has been recognized as of December 31, 2019. No loss allowance was recognized as of January 1, 2019, January 1, 2018 or January 1, 2017. Management continues to assess the credit risks in order to ensure the credit risk never exceeds the loss allowance on trade receivables.

## NOTE 21 Other receivables

### Accounting policies

Receivables are measured at initial recognition at fair value and subsequently at amortized value usually equal to the nominal value, net of impairment, to counter the loss after an individual assessment of risk of loss.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Deposits | 1,445 | 1,372 | 1,216 |
| Receivable VAT and duties | 24,188 | 10,669 | 10,715 |
| Derivative financial instruments at fair value | 3,530 | – | – |
| Interest receivables | 664 | 10,676 | 12,201 |
| Other receivables | 5 | – | – |
| **Other receivables** | **29,832** | **22,717** | **24,132** |
| | | | |
| ***Classified as*** | | | |
| Non-current assets | 1,445 | 1,372 | 1,216 |
| Current assets | 28,387 | 21,345 | 22,916 |
| **Other receivables** | **29,832** | **22,717** | **24,132** |

## NOTE 22 Prepayments

### Accounting policies

Prepayments recognized under assets include costs paid in respect of subsequent financial years, including project costs incurred that relate to revenue of subsequent years. Prepayments are measured at cost.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Incurred project costs related to subsequent years | 3,591 | 33,343 | 491 |
| Other prepayments | 5,598 | 4,239 | 4,521 |
| **Prepayments** | **9,189** | **37,582** | **5,012** |

As per December 31, 2019 "Incurred project costs related to subsequent years" related mainly to support qualification of the new fill and finish facility funded by BARDA. The project costs will be expensed in 2020 along with revenue recognition.

As per December 31, 2018 "Incurred project costs related to subsequent years" related mainly to production activities conducted in 2018 under the contract with the United States Department of Defense for the development of a prophylactic vaccine against the equine encephalitis virus, DKK 18.2 million, and the sub-contractor agreement with Janssen supporting the development and potential licencure of the Ebola vaccine regimen, DKK 14.8 million (further described in note 28). The project costs were expensed in 2019 along with revenue recognition in concurrence with release of the products. No accrued project costs were recognized as of January 1, 2017.

## NOTE 23 Other liabilities

### Accounting policies

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

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

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Derivative financial instruments at fair value | 1,243 | 388 | 129 |
| Liability relating to phantom shares | 1,135 | 275 | 2,723 |
| Payable salaries, holiday accrual etc. | 58,755 | 58,403 | 59,960 |
| Deposit and prepaid rent from sub-tenants | – | 1,379 | 1,640 |
| Other accrued costs | 18,672 | 36,485 | 17,353 |
| **Other liabilities** | **79,805** | **96,930** | **81,805** |

For a further description of financial instruments see note 24. The phantom share programs are described in note 30.

## NOTE 24 Financial risks and financial instruments

### Accounting policies

### Derivative financial instruments

On initial recognition, derivative financial instruments are measured at the fair value on the settlement date.

Directly attributable costs related to the purchase or issuance of the individual financial instruments (transaction costs) are added to the fair value on initial recognition, unless the financial asset or the financial liability is measured at fair value with recognition of fair value adjustments in the income statement. Subsequently, they are measured at fair value at the balance sheet date based on the official exchange rates, market interest rates and other market data such as volatility adjusted for the special characteristics of each instrument.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as effective hedges of future transactions (cash flow hedges) are recognized as comprehensive income. The ineffective portion is recognized immediately in the income statement. When the hedged transactions are realized, cumulative changes are recognized in the income statement together with the hedged transaction or in respect of a non-financial item as part of the cost of the transactions in question. For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized as financials in the income statement as they occur.

The Company has designated certain derivative financial instruments as cash flow hedges as defined under IFRS 9 "*Financial Instruments*". Hedge accounting is classified as a cash flow hedge when the hedges of a particular risk is associated with the cash flows of highly probable forecast transactions.

### Securities

Securities consist of listed bonds, which are measured at fair value on initial recognition and as of the balance sheet date. The Group's portfolio of securities is treated as "financial items at fair value through profit or loss", as the portfolio is accounted for and valued on the basis of the fair value in compliance with the Company's investment policy.

Both realized and unrealized value adjustments are recognized in the income statement under financials.

***Categories of financial instruments***

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Trade receivables | 43,405 | 31,227 | 19,396 |
| Other receivables | 26,302 | 22,717 | 24,132 |
| Cash and cash equivalents | 297,545 | 266,658 | 282,521 |
| **Financial assets measured at amortized cost** | **367,252** | **320,602** | **326,049** |
| Securities | 174,819 | 1,804,124 | 2,301,197 |
| Transferred securities that are not derecognized | – | 246,432 | – |
| **Financial assets measured at fair value through the income statement** | **174,819** | **2,050,556** | **2,301,197** |
| Derivative financial instruments to hedge future cash flows (exchange rate) | 3,530 | – | – |
| **Financial assets used as hedging instruments** | **3,530** | **–** | **–** |
| Deferred consideration for product rights | 3,151,130 | – | – |
| Debt to credit institutions | 1,770,559 | 399,761 | 401,912 |
| Lease liabilities | 61,400 | – | – |
| Security lending (repo transactions) | – | 246,729 | – |
| Trade payables | 112,088 | 93,962 | 82,901 |
| Other liabilities | 77,427 | 96,267 | 78,953 |
| **Financial liabilities measured at amortized cost** | **5,172,604** | **836,719** | **563,766** |
| Derivative financial instruments at fair value through the income statement (repo transactions) | – | 31 | – |
| Liability relating to phantom shares | 1,135 | 275 | 2,723 |
| **Financial liabilities measured at fair value through the income statement** | **1,135** | **306** | **2,723** |
| Derivative financial instruments to hedge future cash flows (interest) | 1,243 | 357 | 129 |
| **Financial liabilities used as hedging instruments** | **1,243** | **357** | **129** |

### Policy for managing financial risks

Through its operations, investments and financing the Group is exposed to fluctuations in exchange rates and interest rates. These risks are managed centrally in the Parent Company, which manages the Group´s liquidity. The Group pursues a treasury policy approved by the Board of Directors. The policy operates with a low risk profile, so that exchange rate risks, interest rate risks and credit risks arise only in commercial relations. The Group therefore does not undertake any active speculation in financial risk.

The Group´s capital structure is regularly assessed by the Board of Directors relative to the Group´s cash flow position and cash flow budgets.

### Market risks

The Group is exposed to interest rate and foreign exchange risks as described below. Management believes that the Group is not sensitive to price risks as its raw material purchases make up a very modest part of its total production costs.

### Interest rate risk

It is the Group's policy to hedge interest rate risks on loans whenever it is deemed that interest payments can be hedged at a satisfactory level relative to the related costs. Hedging will then consist of interest rate swaps that convert floating rate loans to fixed rate loans. Management determines the economic relationship between the hedged item and the hedging instrument to ensure a high hedge effectiveness. The interest rate risk involved in placing cash funds and investing in securities is managed on the basis of duration.

### Exchange rate risks

The Group's exchange rate exposure is primarily to USD and EUR. The exchange rate exposure to USD is hedged to the greatest possible extent by matching incoming and outgoing payments denominated in USD, looking at maximum one year ahead. Regular assessments are made of whether the remaining net position should be hedged by currency forward contracts or currency option contracts.

The exposure to EUR is not hedged as management believes that fluctuations in EUR are limited due to the Danish fixed-rate policy which is expected to be maintained. Thus the fluctuations in EUR do not have a significant impact on financial performance.

***Exchange rate risks on recognized financial assets and liabilities***

| DKK thousand | Cash and cash equivalents, securities | Receivables | Liabilities | Net position |
|---|---|---|---|---|
| ***2019*** | | | | |
| EUR | 10,586 | 1,120 | (4,585,427) | (4,573,721) |
| USD | 86,171 | 63,511 | (20,074) | 129,608 |
| ***2018*** | | | | |
| EUR | 17,633 | 695 | (19,144) | (816) |
| USD | 108,631 | 60,630 | (35,867) | 133,394 |
| ***2017*** | | | | |
| EUR | 12,489 | 1,158 | (29,487) | (15,840) |
| USD | 204,170 | 17,976 | (27,883) | 194,263 |

***Sensitivity analysis on exchange rates***

| DKK thousand | Likely change in exchange rate | Hypothetical change in equity | Hypothetical change in profit |
|---|---|---|---|
| ***2019*** | | | |
| Change if higher USD-rate than actual rate | 15% | (45,663) | 20,335 |
| Change if higher EUR-rate than actual rate | 1% | (45,221) | (46,416) |
| ***2018*** | | | |
| Change if higher USD-rate than actual rate | 15% | (44,483) | 17,272 |
| Change if higher EUR-rate than actual rate | 1% | 34 | (994) |
| ***2017*** | | | |
| Change if higher USD-rate than actual rate | 15% | 21,446 | 78,466 |
| Change if higher EUR-rate than actual rate | 1% | (52) | (994) |

The table above shows the net effect it would have had on equity and profit for the year if the year-end exchange rates of USD and EUR had been 15% or 1%, respectively, higher than the actual exchange rates. A corresponding fall in the actual exchange rates would have had an opposite (positive/negative) effect on profit and equity.

**Derivative financial instruments not designated as hedge accounting**

Currency forward contracts and currency option contracts which are not designated as hedge accounting are classified as financial assets/liabilities measured at fair value with value adjustments recognized through the income statement.

There were no open currency contracts as of December 31, 2019, December 31, 2018 or as per December 31, 2017 not designated as hedge accounting.

**Hedging of expected future cash flows**

In December 2019 the Company concluded a currency forward contract of USD 90 million to hedge the main part of the income from sale of the Priority Review Voucher. The concluded currency forward contract is deemed to be 100% effective. The currency forward contract was settled on January 27, 2020 when the Company received the cash consideration from sale of the Priority Review Voucher, cf. note 32.

2019

***Cash flow hedge – forward currency contracts***

| DKK thousand | Forward price | Contract amount based on agreed rates | Fair value as of December 31 | Fair value adjustment recognized in other comprehensive income |
|---|---|---|---|---|
| Forward currency contract (USD/DKK) | 6.68 | 601,155 | 3,530 | 3,530 |

In 2016 the Company refinanced the old mortgage loans (fixed rate) and obtained a new mortgage loan with floating rate. The Company also concluded an interest rate swap to convert the floating rate loan to a fixed rate loan. The interest rate swap has the same maturity date and nominal amount as the mortgage loan to secure high effectiveness of the hedge.

***Cash flow hedge – interest rate swap***

| DKK thousand | Contract amount based on agreed rates | Fair value as of December 31 | Fair value adjustment recognized in other comprehensive income |
|---|---|---|---|
| ***2019 – Interest rate swap*** | | | |
| DKK – fixed rate 0.9625% p.a. (expiry 2031) | 25,578 | (1,243) | (886) |
| ***2018 – Interest rate swap*** | | | |
| DKK – fixed rate 0.9625% p.a. (expiry 2031) | 27,685 | (357) | (228) |
| ***2017 – Interest rate swap*** | | | |
| DKK – fixed rate 0.9625% p.a. (expiry 2031) | 29,782 | (129) | 130 |

## Cash risks

The Group´s bank deposits are placed in deposit accounts without restrictions. The Group's cash and cash equivalents totaled DKK 297.5 million as of December 31, 2019 (2018: DKK 266.7 million; 2017: DKK 282.5 million).

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

| Bond portfolio | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|
| DKK thousand | Fair value as of December 31 | Effective interest | Fair value as of December 31 | Effective interest | Fair value as of December 31 | Effective interest |
| Within 0-2 years | – | – | 1,130,776 | -0.3% | 866,277 | -2.4% |
| Within 3-5 years | 43,443 | -0.3% | 408,684 | -0.2% | 922,573 | 0.0% |
| After 5 years | 131,376 | 0.1% | 511,096 | 1.2% | 512,347 | 1.6% |
| **Total** | **174,819** | **0.0%** | **2,050,556** | **0.1%** | **2,301,197** | **-0.6%** |

Fluctuations in interest rate levels affect the Group's bond portfolio. An increase in the interest rate level by 1 percentage point relative to the interest rate level on the balance sheet date would have had a negative impact of DKK 25.5 million on the Group´s profit and equity (2018: DKK 33.1 million; 2017: DKK 32.0 million). A corresponding decrease in the interest rate level would have had a positive impact of DKK 25.5 million on profit and equity (2018: DKK 33.1 million; 2017: DKK 32.0 million).

2019

***Maturity of financial liabilities (including interest)***

| DKK thousand | Due within 1 year | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|
| Deferred consideration for product rights [1)] | 469,844 | 3,062,577 | – | 3,532,421 |
| Credit institutions | 1,401,839 | 407,829 | 15,057 | 1,824,725 |
| Lease liabilities | 14,032 | 44,538 | 6,855 | 65,425 |
| Trade payables | 112,088 | – | – | 112,088 |
| Other liabilities | 78,562 | – | – | 78,562 |
| **Non-derivative financial liabilities** | **2,076,365** | **3,514,944** | **21,912** | **5,613,221** |
| **Derivative financial liabilities** | **1,243** | **–** | **–** | **1,243** |

[1)] Further explained in note 25.

2018

***Maturity of financial liabilities (including interest)***

| DKK thousand | Due within 1 year | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|
| Credit institutions | 15,564 | 421,135 | 17,531 | 454,230 |
| Security lending (repo transactions) | 246,729 | – | – | 246,729 |
| Trade payables | 93,962 | – | – | 93,962 |
| Other liabilities | 97,681 | – | – | 97,681 |
| **Non-derivative financial liabilities** | **453,936** | **421,135** | **17,531** | **892,602** |
| **Derivative financial liabilities** | **357** | **–** | **–** | **357** |

2017

***Maturity of financial liabilities (including interest)***

| DKK thousand | Due within 1 year | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|
| Credit institutions | 15,578 | 434,329 | 19,827 | 469,734 |
| Trade payables | 82,901 | – | – | 82,901 |
| Other liabilities | 81,815 | – | – | 81,815 |
| **Non-derivative financial liabilities** | **180,294** | **434,329** | **19,827** | **634,450** |
| **Derivative financial liabilities** | **129** | **–** | **–** | **129** |

With respect to the Group´s debt to credit institutions, an increase in the applicable interest rate by 1 percentage point would have had a negative impact on the Group's profit and equity of DKK 4.0 million (2018: DKK 4.0 million; 2017: DKK 4.0 million). A corresponding decrease in the interest rate would have had an equivalent positive impact.

In May 2015, the Group secured a loan facility of EUR 50 million from the European Investment Bank (EIB) in support of the Group's research and development of vaccines against Ebola and other infectious diseases as well as cancer immunotherapies. The loan facility, which is unsecured, was fully utilized in October 2017 with a net proceed of DKK 372.2 million. The loan is a five year bullet loan with expiry in 2022 and with a fixed interest of 3.532%.

In August 2018 the Company was granted an unsecured loan facility of EUR 30 million from the European Investment Bank to support the Company's investments into a new fill and finish manufacturing facility, which is currently under construction. The loan facility, which is unsecured, may be utilized in up to three tranches. Under the terms of the agreement, the Company will have up to 24 months to draw on the loan. The repayment period may be up to seven years from disbursement of the tranches. The loan could potentially carry a fixed or variable interest payment. The margin associated with the loan facility is 3.21%. As of December 31, 2019 the balance remains unused.

On October 21, 2019, the Company entered into a committed bridge loan facility agreement with Citi and Nordea as lenders pursuant to which the lenders have granted a EUR 185 million bridge loan to the Company. The Bridge Loan was utilised on December 30, 2019 and the proceeds were applied towards partly financing the upfront payment of the acquisition of product rights from GlaxoSmithKline, EUR 307.6 million paid in cash on December 31, 2019.

The final maturity date of the Bridge Loan is June 30, 2020, six months after the date of completion of the acquisition agreement concluded with GlaxoSmithKline.

The Company may at its sole discretion request a three month extension, provided that no event of default has occurred.

The bridge loan is subject to interest calculated as the aggregate of a variable base rate and a margin. The base rate is EURIBOR which is based on the interbank market rate for EUR. The margin is adjusted up-wards during the tenor of the bridge loan ranging from initially 1.25% to 2.75% p.a.

The Group has a credit facility of DKK 20 million (2018: DKK 20 million; 2017: DKK 20 million) at Nordea. As of December 31, 2019, DKK 0.1 million (2018: DKK 0.3 million; 2017: DKK 0.3 million) of the credit facility is utilized for bank guarantees.

**Credit risks**

The primary credit risk relates to trade receivables. The Company assesses the expected credit losses also considering changes in the macro environment that might impose an increased risk of losses. This is compared to the previous model where indications of credit losses were needed for the Company to recognize an expected loss. The Group´s customers are predominantly public authorities and renowned pharmaceutical companies, and the credit risk on the Group's receivables is therefore considered to be very low. As of December 31, 2019, December 31, 2018 and December 31, 2017, none of the receivables were overdue and no loss allowance has been recognized.

Cash and cash equivalents are not deemed to be subject to any special credit risk as they are deposited with Nordea. The bond portfolio is invested in either Danish government bonds, Danish mortgage bonds or bonds issued by Danish banks with high ratings.

**Optimization of capital structure**

Management regularly assesses whether the Group´s capital structure best serves the interests of the Group and its shareholders. The overall goal is to ensure that the Group has a capital structure which supports its long-term strategy and growth target. The capital structure will be assessed again post the planned rights issue and repayment of the bridge loan.

**Transferred financial assets that are not derecognized**

In 2018 the Company entered into transactions that transfered ownership of securities to a counterparty, while the Company retained the risks associated with the holding of the securities. As the Company retained all risks, the securities remained in the balance sheet, and the transactions were accounted for as loans received against collateral (repo transactions and security 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. The last repo transactions were settled in January 2019.

***Net position repo transactions***

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Transferred securities that are not derecognized | – | 246,432 | – |
| Security lending (repo transactions) | – | (246,729) | – |
| **Net position** | **–** | **(297)** | **–** |

2019

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

| DKK thousand | Level 1 | Level 2 | Total |
|---|---|---|---|
| Securities | **174,819** | **–** | **174,819** |
| **Financial assets measured at fair value through the income statement** | **174,819** | **–** | **174,819** |
| Derivative financial instruments to hedge future cash flow (currency) | – | 3,530 | 3,530 |
| Derivative financial instruments to hedge future cash flow (interest) | – | (1,243) | (1,243) |
| **Financial assets/liabilities used as hedging instruments** | **–** | **2,287** | **2,287** |
| Liability relating to phantom shares | – | (1,135) | (1,135) |
| **Financial liabilities measured at fair value through the income statement** | **–** | **(1,135)** | **(1,135)** |

2018

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

| 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 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)** |

2017

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

| DKK thousand | Level 1 | Level 2 | Total |
|---|---|---|---|
| Securities | 2,301,197 | – | 2,301,197 |
| **Financial assets measured at fair value through the income statement** | **2,301,197** | **–** | **2,301,197** |
| Derivative financial instruments to hedge future cash flow (interest) | – | (129) | (129) |
| **Financial liabilities used as hedging instruments** | **–** | **(129)** | **(129)** |
| Liability relating to phantom shares | – | (2,723) | (2,723) |
| **Financial liabilities measured at fair value through the income statement** | **–** | **(2,723)** | **(2,723)** |

### Securities (level 1)

The portfolio of publicly traded government bonds, publicly traded mortgage bonds and bank bonds is valued at listed prices and price quotas.

### Derivative financial instruments (level 2)

Currency forward contracts, currency option contracts and currency swap contracts are valued according to generally accepted valuation methods based on relevant observable swap curves and exchange rates.

Liability relating to phantom shares is determined using the Black-Scholes. The valuation is based on observable share price, interest rates and volatility rates.

## NOTE 25 Deferred consideration for product rights

### Accounting policies

Deferred consideration including contingent milestone payments for product rights is recognized when its payment is probable and it can be measured reliably and is at initial recognition measured at fair value which equals present value of future deferred payments. Subsequently, the deferred consideration is measured at amortized cost. This means that the difference between the present value of the consideration and the nominal amounts due is recognized in the income statement as a financial expense over the period until expected payment date using the effective interest method.

The expected phasing of future payments and the probability of contingent payments are assessed on each reporting date.

2019

| DKK thousand | Due within 1 year | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|
| Deferred consideration for product rights | 459,730 | 2,691,400 | – | 3,151,130 |
| **Total** | **459,730** | **2,691,400** | **–** | **3,151,130** |

The Asset Purchase Agreement with GlaxoSmithKline includes milestone payments relating to transfer and re-registration of marketing authorizations, technology transfer of different steps of the production and packaging activities as well as a milestone payment when all services agreed to be rendered by GlaxoSmithKline has been completed. In total EUR 470 million. The first milestone payments are expected to be payable at the end of first half of 2020 whereas the majority of the milestone payments are expected to be payable in 2022-2023. The completion milestone is expected to be payable end of 2024.

The Asset Purchase Agreement with GlaxoSmithKline also includes a sales milestone of EUR 25 million. As per December 31, 2019 Management does not judge the sales milestone to be probable and therefore the sales milestone has not been recognized as either part of the product rights (note 15) nor the deferred consideration for product rights.

The carrying amount has been measured using a discount rate of 4% per annum. The discount rate has been determined based on an interest rate on a similar loan of the same size and maturity as the contingent milestone payments and the Company's credit rating as of December 31, 2019.

The cash flow from payment of deferred consideration for product rights will be recognized as cash flow from investment activities.

## NOTE 26 Debt to credit institutions

### Accounting policies

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

| DKK thousand | Due within 1 year | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|
| ***2019*** | | | | |
| Bridge loan [1] | 1,372,953 | – | – | 1,372,953 |
| Mortgage [2] | 2,163 | 8,651 | 14,597 | 25,411 |
| European Investment Bank (loan in DKK) [3] | – | 372,195 | – | 372,195 |
| **Total** | **1,375,116** | **380,846** | **14,597** | **1,770,559** |
| ***2018*** | | | | |
| Mortgage [2] | 2,148 | 8,601 | 16,817 | 27,566 |
| European Investment Bank (loan in DKK) [3] | – | 372,195 | – | 372,195 |
| Security lending (repo transactions) | 246,729 | – | – | 246,729 |
| **Total** | **248,877** | **380,796** | **16,817** | **646,490** |
| ***2017*** | | | | |
| Mortgage [1] | 2,152 | 8,610 | 18,955 | 29,717 |
| European Investment Bank (loan in DKK) [2] | – | 372,195 | – | 372,195 |
| **Total** | **2,152** | **380,805** | **18,955** | **401,912** |

[1] Variable interest, the base rate is EURIBOR plus a margin adjusted up-wards during the tenor of the bridge loan ranging from initially 1.25% to 2.75%

[2] Floating interest – swapped to fixed interest of 0.9625% – expiry 2031

[3] Fixed interest of 3.532% – bullet loan with expiry 2022

The fair value of the debt to credit institutions amounts to DKK 1,779.5 million (2018: DKK 646.7 million; 2017: DKK 402.3 million). The fair value of mortgage debt is based on the market value of the underlying bonds set by the bank (level 2), whereas the fair value of the bridge loan, the European Investment Bank loan and the security lending is based on a discounted cash analysis flow of future payments of interest and principal by applying a market based discount rate (level 2).

The bridge loan will be repaid once the planned rights issue with an expected net proceed of EUR 350 million has completed. At the extraordinary General Meeting held November 27, 2019 the Board of Directors was authorized, until June 30, 2020, to increase the share capital of the Company with pre-emptive rights for the existing shareholders.

The tables below detail changes in the Group's liabilities arising from financing activities, both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

***Cash flow from financing activities***

| DKK thousand | January 1, 2019 | Cash movement | Non-cash movement | December 31, 2019 |
|---|---|---|---|---|
| Bridge loan | – | 1,372,953 | – | 1,372,953 |
| Mortgage | 27,566 | (2,155) | – | 25,411 |
| European Investment Bank (loan in DKK) | 372,195 | – | – | 372,195 |
| Security lending (repo transactions) | 246,729 | (246,729) | – | – |
| Lease liabilities [1] | 82,868 | (12,923) | (8,545) | 61,400 |
| **Total liabilities from financing activities** | **729,358** | **1,111,146** | **(8,545)** | **1,831,959** |

[1)] Lease liabilities as of January 1, 2019 (DKK 82,868 thousand) reflects impact from applying IFRS 16 as of January 1, 2019.

| DKK thousand | January 1, 2018 | Cash movement | December 31, 2018 |
|---|---|---|---|
| Mortgage | 29,717 | (2,151) | 27,566 |
| European Investment Bank (loan in DKK) | 372,195 | – | 372,195 |
| Security lending (repo transactions) | – | 246,729 | 246,729 |
| **Total liabilities from financing activities** | **401,912** | **244,578** | **646,490** |

| DKK thousand | January 1, 2017 | Cash movement | December 31, 2017 |
|---|---|---|---|
| Mortgage | 31,850 | (2,133) | 29,717 |
| European Investment Bank (loan in DKK) | – | 372,195 | 372,195 |
| **Total liabilities from financing activities** | **31,850** | **370,062** | **401,912** |

## NOTE 27 Lease liabilities

### Accounting policies

The lease liability is initially measured at the present value of the future lease payments (see further in note 17), discounted by using an incremental country specific borrowing rate ranging from 2.5% to 5.0% applying only a single discount rate for a portfolio of lease assets with reasonable similar characteristics. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability usind the effective intest method and by reducing the carrying amount to reflect the lease payments made.

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

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

| DKK thousand | 2019 |
|---|---|
| Non-current | 47,549 |
| Current | 13,851 |
| **Lease liabilities** | **61,400** |

| DKK thousand | Due within 1 year | Due between 1 and 5 years | Due after 5 years | Total |
|---|---|---|---|---|
| ***2019*** | | | | |
| Lease liabilities | 13,851 | 40,772 | 6,777 | 61,400 |
| **Total** | **13,851** | **40,772** | **6,777** | **61,400** |

## NOTE 28 Prepayment from customers

### Accounting policies

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

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Prepayment from customers as of January 1 | 41,818 | 79,617 | 530,645 |
| Prepayments received during the year | 35,115 | 29,075 | 704,813 |
| Recognized as revenue during the year | (70,302) | (66,874) | (1,155,841) |
| **Prepayment from customers as of December 31** | **6,631** | **41,818** | **79,617** |

In March 2018, the Company signed a new contract with the United States Department of Defense for the development of a prophylactic vaccine against the equine encephalitis virus – a rare but potentially deadly mosquito-borne illness. The multi-year collaboration includes total considerations of up to USD 36 million. In 2018, the Company received prepayments of DKK 14.7 million related to production activities conducted in 2018. In the beginning of 2019, the Company received the last prepayments (DKK 35.1 million) related to the production activities. All prepayments were recognized as revenue in 2019 when the products were released. As per December 31, 2019, no recognition of revenue was outstanding. See also description in note 22.

In September 2017, Janssen Vaccines & Prevention B.V. (Janssen) was awarded a contract from BARDA of USD 44.7 million, with options for additional funding over 5 years to help support the development and potential licencure of the Ebola vaccine regimen. The company supports Janssen in this process with a number of activities relating to MVA-BN® Filo, which are also being funded under the contract with BARDA. As per December 31, 2018, the Company had received prepayments of DKK 14.4 million related to production activities conducted in 2018. The prepayment was recognized as revenue in 2019 when the products were released. As per December 31, 2019, no recognition of revenue was outstanding. See also description in note 22.

In May 2016, Biomedical Advanced Research and Development Authority (BARDA) placed the second bulk supply order of smallpox vaccine valued at USD 100 million. Revenue was recognized in 2017. Under this contract BARDA also prepaid DKK 5.6 million for storage of the BDS batches. The remaining part of the prepayment related to storage was recognized as revenue in 2019. As per December 31, 2019, the Company has no recognition of revenue outstanding. There is no repayment obligation.

In December 2015, the Company signed a license and collaboration agreement with Janssen Vaccines & Prevention B.V. (Janssen). Under the agreement, Janssen will acquire exclusive rights to the Group's MVA-BN® technology for use in a prime-boost vaccine regimen together with Janssen's own AdVac® technology with the purpose of targeting all cancers induced by human papillomavirus (HPV). Under the terms of the agreement, the Group received an upfront payment of DKK 61.7 million (USD 9 million) in January 2016. As per December 31, 2019, recognition of DKK 3.1 million in revenue is outstanding. The recognition of revenue will occur in concurrence with work performed towards the next milestone event expected in 2020. There is no repayment obligation.

In August 2017, the Company signed a license and collaboration agreement with Janssen Vaccines & Prevention B.V. (Janssen). The collaboration grants Janssen the exclusive rights to Bavarian Nordic's MVA-BN® technology for vaccine agains hepatitis B virus (HBV) and the human immunodeficiency virus (HIV). Under the terms of the agreement, the Group received an upfront payment of DKK 62.9 million (USD 10 million) in September 2017. As per December 31, 2019, recognition of DKK 3.5 million in revenue is outstanding. The recognition of revenue will occur in concurrence with work performed towards the next milestone event under each program. The next milestone event is not expected until earliest 2021. There is no repayment obligation.

The recognition of revenue is described in note 3.

## NOTE 29 Related party transactions

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

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

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

## NOTE 30 Share-based payment

### Accounting policies

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

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

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

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

### Incentive plans

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

### Warrants

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

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

***Warrant overview – 2019***

| | Outstanding as of January 1 | Additions | Exercised | Annulled | Terminated | Outstanding as of December 31 | Can be exercised as of December 31 | Average exercise price (DKK) |
|---|---|---|---|---|---|---|---|---|
| August 2014 | 247,000 | – | (78,500) | – | (50,000) | 118,500 | 118,500 | 131 |
| December 2015 | 297,230 | – | – | (3,600) | – | 293,630 | 293,630 | 367 |
| December 2016 | 408,690 | – | – | (42,000) | – | 366,690 | – | 260 |
| July 2017 | 26,955 | – | – | – | – | 26,955 | – | 430 |
| November 2017 | 337,385 | – | – | (40,577) | – | 296,808 | – | 303 |
| November 2018 | 520,411 | – | – | (57,576) | – | 462,835 | – | 180 |
| November 2019 | – | 564,585 | – | – | – | 564,585 | – | 185 |
| **Total** | **1,837,671** | **564,585** | **(78,500)** | **(143,753)** | **(50,000)** | **2,130,003** | **412,130** | |

***Warrant overview – 2019***

| | Outstanding as of January 1 | Additions | Exercised | Annulled | Terminated | Transferred | Outstanding as of December 31 |
|---|---|---|---|---|---|---|---|
| Corporate Management | 262,590 | 78,201 | – | – | – | – | 340,791 |
| Other Executive Management | 221,172 | 105,161 | – | – | – | – | 326,333 |
| Other employees | 1,065,467 | 381,223 | (18,500) | (143,753) | – | – | 1,284,437 |
| Resigned employees | 288,442 | – | (60,000) | – | (50,000) | – | 178,442 |
| **Total** | **1,837,671** | **564,585** | **(78,500)** | **(143,753)** | **(50,000)** | **–** | **2,130,003** |
| **Weighted average exercise price (DKK)** | **248** | **185** | **131** | **242** | **131** | **–** | **239** |
| **Weighted average share price at exercise (DKK)** | | | **175** | | | | |
| **Number of warrants which can be exercised as of December 31, 2019** | | | | | | | **412,130** |
| **at a weighted average exercise price of DKK** | | | | | | | **299** |

### *Warrant overview – 2018*

| | Outstanding as of January 1 | Additions | Exercised | Annulled | Terminated | Transferred | Outstanding as of December 31 |
|---|---|---|---|---|---|---|---|
| Board of Directors | 20,000 | – | (20,000) | – | – | – | – |
| Corporate Management | 375,770 | 57,749 | (30,000) | (29,610) | – | (111,319) | 262,590 |
| Other Executive Management | 103,877 | 117,295 | – | – | – | – | 221,172 |
| Other employees | 842,572 | 360,092 | (4,500) | (56,137) | – | (76,560) | 1,065,467 |
| Resigned employees | 117,463 | – | (11,000) | – | (5,900) | 187,879 | 288,442 |
| **Total** | **1,459,682** | **535,136** | **(65,500)** | **(85,747)** | **(5,900)** | **–** | **1,837,671** |
| **Weighted average exercise price (DKK)** | **266** | **–** | **83** | **272** | **85** | **–** | **248** |
| **Weighted average share price at exercise (DKK)** | | | **200** | | | | |
| **Number of warrants which can be exercised as of December 31, 2018** | | | | | | | **247,000** |
| **at a weighted average exercise price of DKK** | | | | | | | **131** |

### *Warrant overview – 2017*

| | Outstanding as of January 1 | Additions | Exercised | Annulled | Terminated | Transferred | Outstanding as of December 31 |
|---|---|---|---|---|---|---|---|
| Board of Directors | 35,000 | – | (15,000) | – | – | – | 20,000 |
| Corporate Management | 318,702 | 87,068 | (30,000) | – | – | – | 375,770 |
| Other Executive Management | – | 79,277 | (20,000) | – | – | 44,600 | 103,877 |
| Other employees | 887,073 | 234,466 | (155,667) | (23,653) | (1,500) | (98,147) | 842,572 |
| Resigned employees | 243,777 | – | (158,450) | – | (21,411) | 53,547 | 117,463 |
| **Total** | **1,484,552** | **400,811** | **(379,117)** | **(23,653)** | **(22,911)** | **–** | **1,459,682** |
| **Weighted average exercise price (DKK)** | **211** | **–** | **108** | **307** | **56** | **–** | **266** |
| **Weighted average share price at exercise (DKK)** | | | **281** | | | | |
| **Number of warrants which can be exercised as of December 31, 2017** | | | | | | | **318,400** |
| **at a weighted average exercise price of DKK** | | | | | | | **121** |

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

| | Aug. 2014 | Dec. 2015 | Dec. 2016 | Jul. 2017 | Nov. 2017 | Nov. 2018 | Nov. 2019 |
|---|---|---|---|---|---|---|---|
| Average share price | 117.50 | 334.00 | 222.50 | 383.50 | 259.50 | 159.00 | 154.05 |
| Average exercise price at grant | 131.40 | 366.85 | 260.20 | 430.45 | 303.03 | 179.60 | 185.43 |
| Expected volatility rate | 39.7% | 53.8% | 44.6% | 44.1% | 52.4% | 53.3% | 52.2% |
| Expected life (years) | 3.3 | 3.3 | 3.0 | 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% | -0.69% |
| Fair value at grant [1] | 29 | 115 | 54 | 98 | 80 | 52 | 45 |

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

The expected volatility is based on the historical volatility.

Recognized costs in 2019 DKK 21.4 million compared to DKK 30.2 million in 2018 and DKK 22.8 million in 2017.

| Exercise periods | Can be exercised wholly or partly in a period of 14 days commencing from the day of publication of: | | | |
|---|---|---|---|---|
| November 2019 | Annual Report 2022<br>Annual Report 2023 | Interim Report Q1 2023<br>Interim Report Q1 2024 | Interim Report Q2 2023<br>Interim Report Q2 2024 | Interim Report Q3 2023<br>Interim Report Q3 2024 |
| November 2018 | Annual Report 2021<br>Annual Report 2022 | Interim Report Q1 2022<br>Interim Report Q1 2023 | Interim Report Q2 2022<br>Interim Report Q2 2023 | Interim Report Q3 2022<br>Interim Report Q3 2023 |
| November 2017 | Annual Report 2020<br>Annual Report 2021 | Interim Report Q1 2021<br>Interim Report Q1 2022 | Interim Report Q2 2021<br>Interim Report Q2 2022 | Interim Report Q3 2021<br>Interim Report Q3 2022 |
| July 2017 | Interim Report Q2 2020<br>Interim Report Q2 2021 | Interim Report Q3 2020<br>Interim Report Q3 2021 | Annual Report 2020<br>Annual Report 2021 | Interim Report Q1 2021<br>Interim Report Q1 2022 |
| December 2016 | Annual Report 2019<br>Annual Report 2020 | Interim Report Q1 2020<br>Interim Report Q1 2021 | Interim Report Q2 2020<br>Interim Report Q2 2021 | Interim Report Q3 2020<br>Interim Report Q3 2021 |
| December 2015 | Annual Report 2018<br>Annual Report 2019 | Interim Report Q1 2019<br>Interim Report Q1 2020 | Interim Report Q2 2019<br>Interim Report Q2 2020 | Interim Report Q3 2019<br>Interim Report Q3 2020 |
| August 2014 | Interim Report Q3 2017<br>Interim Report Q3 2018<br>Interim Report Q3 2019 | Annual Report 2017<br>Annual Report 2018<br>Annual Report 2019 | Interim Report Q1 2018<br>Interim Report Q1 2019<br>Interim Report Q1 2020 | Interim Report Q2 2018<br>Interim Report Q2 2019 |

**Phantom shares**

In 2014, the Company established a three-year phantom share program covering all employees in the Group. The employees received up to six phantom shares per month free of charge during the period from January 1, 2015 to December 31, 2017. Each employee who was a full-time employee during the entire term of the plan was eligible to receive a maximum of 216 phantom shares. The program was exercised in January 2018.

In 2015, the Company established a three-year phantom share program covering all employees in the Group. The employees receive up to six phantom shares per month free of charge during the period from January 1, 2016 to December 31, 2018. Each employee who was a full-time employee during the entire term of the plan was eligible to receive a maximum of 216 phantom shares. The program expired without exercise in January 2019.

In 2016, the Company established a three-year phantom share program covering all employees in the Group except for management and other employees receiving warrants. The employees receive up to

four phantom shares per month free of charge during the period from January 1, 2017 to December 31, 2019. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 144 phantom shares.

In 2017, the Company established a three-year phantom share program covering all employees in the Group except for management and other employees receiving warrants. The employees receive up to four phantom shares per month free of charge during the period from January 1, 2018 to December 31, 2020. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 144 phantom shares.

In 2018, the Company established a three-year phantom share program covering all employees in the Group except for management and other employees receiving warrants. The employees receive up to four phantom shares per month free of charge during the period from January 1, 2019 to December 31, 2021. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 144 phantom shares.

In 2019, the Company established a three-year phantom share program covering all employees in the Group except for management and other employees receiving warrants. The employees receive up to four phantom shares per month free of charge during the period from January 1, 2020 to December 31, 2022. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 144 phantom shares.

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

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

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

***2019-2021 phantom share program***

| | 2019 |
|---|---|
| Outstanding as of January 1 | – |
| Granted during the year | 19,213 |
| **Outstanding phantom shares as of December 31** | **19,213** |
| **Liability in DKK thousand as of December 31** | **864** |
| Specification of parameters for Black-Scholes model | |
| Share price December 31 | 171 |
| Average share exercise price | 180 |
| Expected volatility rate | 51% |
| Expected life (years) | 2.0 |
| Expected dividend per share | – |
| Risk-free interest rate p.a. | -0.17% |

The expected volatility is based on the historic volatility.

The expense in respect of phantom shares granted in 2019 provided a cost of DKK 0.9 million. The liability is included in other liabilities, cf. note 23.

### *2018-2020 phantom share program*

| | 2019 | 2018 |
|---|---|---|
| Outstanding as of January 1 | 17,644 | – |
| Granted during the year | 19,125 | 17,644 |
| **Outstanding phantom shares as of December 31** | **36,769** | **17,644** |
| **Liability in DKK thousand as of December 31** | **271** | **145** |
| Specification of parameters for Black-Scholes model | | |
| Share price December 31 | 171 | 127 |
| Average share exercise price | 303 | 303 |
| Expected volatility rate | 51% | 52% |
| Expected life (years) | 1.0 | 2.0 |
| Expected dividend per share | – | – |
| Risk-free interest rate p.a. | -0.21% | 0.02% |

The expected volatility is based on the historic volatility.

Phantom shares granted in 2019 provided an expense of DKK 0.1 million, whereas the revaluation of previously granted phantom shares provided an income of DKK 0.0 million, total expense DKK 0.1 million (2018: net expense DKK 0.1 million).

The liability is included in other liabilities, cf. note 23.

### *2017-2019 phantom share program*

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Outstanding as of January 1 | 35,772 | 18,234 | – |
| Granted during the year | 19,085 | 17,538 | 18,234 |
| **Outstanding phantom shares as of December 31** | **54,857** | **35,772** | **18,234** |
| **Liability in DKK thousand as of December 31** | **–** | **130** | **953** |
| Specification of parameters for Black-Scholes model | | | |
| Share price December 31 | 171 | 127 | 224 |
| Average share exercise price | 260 | 260 | 260 |
| Expected volatility rate | 51% | 52% | 52% |
| Expected life (years) | – | 1.0 | 2.0 |
| Expected dividend per share | – | – | – |
| Risk-free interest rate p.a. | -0.30% | -0.07% | 0.05% |

The expected volatility is based on the historic volatility.

Phantom shares granted in 2019 provided an expense of DKK 0.0 million, whereas the revaluation of previously granted phantom shares provided an income of DKK 0.1 million, total net income of DKK 0.1 million (2018: net income DKK 0.8 million; 2017: net expense DKK 1.0 million).

The liability is included in other liabilities, cf. note 23.

The 2017-2019 program will exercise in January 2020 if the average share price for the period January 1 – January 15, 2020 will exceed the exercise price of DKK 260.20. Otherwise the program will expire without exercise.

***2016-2018 phantom share program***

| | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Outstanding as of January 1 | 88,260 | 59,002 | 29,082 | – |
| Granted during the year | – | 29,258 | 29,920 | 29,082 |
| Expired during the year | (88,260) | – | – | – |
| **Outstanding phantom shares as of December 31** | **–** | **88,260** | **59,002** | **29,082** |
| **Liability in DKK thousand as of December 31** | | **–** | **770** | **1,027** |
| Specification of parameters for Black-Scholes model | | | | |
| Share price December 31 | | 127 | 224 | 249 |
| Average share exercise price | | 367 | 367 | 367 |
| Expected volatility rate | | 52% | 52% | 48% |
| Expected life (years) | | – | 1.0 | 2.0 |
| Expected dividend per share | | – | – | – |
| Risk-free interest rate p.a. | | 0.11% | -0.09% | 0.03% |

The expected volatility is based on the historic volatility.

The 2016-2018 program expired in January 2019 without exercise as the actual share price was below the exercise price of DKK 366.85.

Reversal of the phantom share program provided an income of DKK 0.0 million (2018: net income DKK 0.8 million; 2017: net income DKK 0.3 million).

***2015-2017 phantom share program***

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Outstanding as of January 1 | 87,888 | 57,894 | 29,140 | – |
| Granted during the year | – | 29,994 | 28,754 | 29,140 |
| Exercised during the year | (83,022) | – | – | – |
| Expired during the year | (4,866) | – | – | – |
| **Outstanding phantom shares as of December 31** | **–** | **87,888** | **57,894** | **29,140** |
| **Liability in DKK thousand as of December 31** | | **1,059** | **3,727** | **5,110** |
| Specification of parameters for Black-Scholes model | | | | |
| Share price December 31 | | 224 | 249 | 358 |
| Average share exercise price | | 212 | 212 | 212 |
| Expected volatility rate | | – | 48% | 54% |
| Expected life (years) | | – | 1.0 | 2.0 |
| Expected dividend per share | | – | – | – |
| Risk-free interest rate p.a. | | – | -0.12% | 0.20% |

The 2015-2017 program was exercised January 2018 at a share price of DKK 228.

Revaluation of granted phantom shares and reversal of not exercised phantom shares provided a net cost of DKK 0.2 million (net income 2017: DKK 2.7 million).

**Restricted stock units**

In March 2019, the Board of Directors decided to postpone the payment of half of the achieved cash bonus for members of the Executive Management for 3 years, converting the postponed bonus of DKK 1.8 million into 12,722 unconditional restricted stock units using the share price of the Company at grant date (DKK 144). The Board of Directors decided to grant additional restricted stock units free of charge on expiry of a 3 years period (so-called "matching shares") upon the recipient still being employed in March 2021. One matching share is granted for each two acquired restricted stock units. The maximum number of matching shares is 6,362. The initial granted restricted stock units and the potential matching shares total 19,084 shares.

At the annual general meeting in April 2019, the Board of Directors were granted a total of 9,765 unconditional restricted stock units corresponding to 50% of the annual fixed fee of DKK 1.2 million (excl. committee fee). The restricted stock units will be delivered after 3 years in April 2021.

As sign-on bonus the new CFO was granted a total of 6,767 unconditional restricted stock units in November 2018 and 3,383 additional restricted stock units on expiry of a 3 years period ("matching shares") upon the CFO still being employed in November 2021.

In November 2018, the Company bought back 27,373 of its own shares to meet the obligation to deliver up to 27,373 shares to the members of the Executive Management and the Board of Directors in March/April/November 2021.

In May/June 2019, the Company bought back 28,849 of its own shares to meet the obligation to deliver up to 28,849 shares to the members of the Executive Management and the Board of Directors in March/April 2022.

| | | | | | | 2019 |
|---|---|---|---|---|---|---|
| ***Outstanding restricted stock units*** | | | | | | |
| | Outstanding as of January 1 | Granted during the year | Released during the year | Outstanding as of December 31 | Value at grant date (DKK) | Vesting date |
| ***Executive Management*** | | | | | | |
| Conversion of cash bonus for 2018 | – | 12,722 | – | 12,722 | 144 | Mar. 2022 |
| Matching shares – bonus 2018 | – | 6,362 | – | 6,362 | 144 | Mar. 2022 |
| Sign-on bonus CFO | 6,767 | – | – | 6,767 | 156 | Nov. 2021 |
| Matching shares – sign-on CFO | 3,383 | – | – | 3,383 | 156 | Nov. 2021 |
| Conversion of cash bonus for 2017 | 6,910 | – | – | 6,910 | 244 | Mar. 2021 |
| Matching shares – bonus 2017 | 3,456 | – | – | 3,456 | 244 | Mar. 2021 |
| Conversion of cash bonus for 2016 | 5,642 | – | – | 5,642 | 292 | Mar. 2020 |
| Matching shares – bonus 2016 | 2,821 | – | – | 2,821 | 292 | Mar. 2020 |
| Conversion of cash bonus for 2015 | 7,430 | – | (7,430) | – | 270 | Mar. 2019 |
| Matching shares – bonus 2015 | 3,714 | – | (3,714) | – | 270 | Mar. 2019 |
| **Executive Management** | **40,123** | **19,084** | **(11,144)** | **48,063** | | |
| ***Board of Directors*** | | | | | | |
| Fee 2019 | – | 9,765 | – | 9,765 | 138 | Apr. 2022 |
| Fee 2018 | 6,857 | – | – | 6,857 | 175 | Apr. 2021 |
| Fee 2017 | 3,693 | – | – | 3,693 | 365 | Apr. 2020 |
| **Board of Directors** | **10,550** | **9,765** | **–** | **20,315** | | |
| **Total** | **50,673** | **28,849** | **(11,144)** | **68,378** | | |

The grant of the initial restricted stock units to the Executive Management (12,722 shares) had no impact on the income statement for 2019, as the corresponding cash bonus (DKK 1.8 million) was accrued in 2018, though the amount has been reclassified from "Salary and wages" to "Share-based payment" in the staff cost note (note 8). The obligation related to the matching shares amount to DKK 0.9 million measured at the same fair value as the initial restricted stock units (DKK 144). The obligation will be expensed over the three year vesting period. During 2019, DKK 2.8 million has been expensed and recognized as share-based payment (incl. grants of matching shares for prior years). The grant of restricted stock units to the Board of Directors (9,765 shares – DKK 1.4 million) were fully expensed at grant.

2018

***Outstanding restricted stock units***

| | Outstanding as of January 1 | Granted during the year | Outstanding as of December 31 | Value at grant date (DKK) | Vesting date |
|---|---|---|---|---|---|
| ***Executive Management*** | | | | | |
| Sign-on bonus CFO incl. matching shares | – | 10,150 | 10,150 | 156 | Nov. 2021 |
| Conversion of cash bonus for 2017 incl. matching shares | – | 10,366 | 10,366 | 244 | Mar. 2021 |
| Conversion of cash bonus for 2016 incl. matching shares | 8,463 | – | 8,463 | 292 | Mar. 2020 |
| Conversion of cash bonus for 2015 incl. matching shares | 11,144 | – | 11,144 | 270 | Mar. 2019 |
| **Executive Management** | **19,607** | **20,516** | **40,123** | | |
| ***Board of Directors*** | | | | | |
| Fee 2018 | – | 6,857 | 6,857 | 175 | Apr. 2021 |
| Fee 2017 | 3,693 | – | 3,693 | 365 | Apr. 2020 |
| **Board of Directors** | **3,693** | **6,857** | **10,550** | | |
| **Total** | **23,300** | **27,373** | **50,673** | | |

2017

***Outstanding restricted stock units***

| | Outstanding as of January 1 | Granted during the year | Outstanding as of December 31 | Value at grant date (DKK) | Vesting date |
|---|---|---|---|---|---|
| ***Executive Management*** | | | | | |
| Conversion of cash bonus for 2016 incl. matching shares | – | 8,463 | 8,463 | 292 | Mar. 2020 |
| Conversion of cash bonus for 2015 incl. matching shares | 11,144 | – | 11,144 | 270 | Mar. 2019 |
| **Executive Management** | **11,144** | **8,463** | **19,607** | | |
| ***Board of Directors*** | | | | | |
| Fee 2017 | – | 3,693 | 3,693 | 365 | Apr. 2020 |
| **Board of Directors** | **–** | **3,693** | **3,693** | | |
| **Total** | **11,144** | **12,156** | **23,300** | | |

### Total share-based payments

Below a specification of all share-based payments expensed in 2019, 2018 and 2017. The amounts reconcile to note 8.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| Warrants | 21,437 | 30,229 | 22,786 |
| Restricted stock units | 4,152 | 4,898 | 3,551 |
| **Share-based payment recognized directly in equity** | **25,589** | **35,127** | **26,337** |
| 2019-2021 phantom share program | 864 | – | – |
| 2018-2020 phantom share program | 126 | 145 | – |
| 2017-2019 phantom share program | (130) | (823) | 953 |
| 2016-2018 phantom share program | – | (770) | (257) |
| 2015-2017 phantom share program | – | 234 | (2,668) |
| 2014-2016 phantom share program | – | – | 2,432 |
| **Share-based payment recognized as a liability (change during the year)** | **860** | **(1,214)** | **460** |
| **Total share-based payment expensed** | **26,449** | **33,913** | **26,797** |

## NOTE 31 Contingent liabilities and other contractual obligations

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| ***Operational leasing*** | | | |
| Leasing obligations for cars and office equipment. | | | |
| The operational leasing agreements are irrevocable up to 30 months. | | | |
| – Due within 1 year | – | 1,937 | 2,543 |
| – Due between 1 and 5 years | – | 1,042 | 2,972 |
| Minimum leasing cost recognized in net profit for the year | – | 1,940 | 2,156 |
| ***Rental commitments*** | | | |
| Rental agreements for laboratory and offices facilities. | | | |
| The rental agreements are irrevocable from 3 to 48 months. | | | |
| – Due within 1 year | – | 16,406 | 16,392 |
| – Due between 1 and 5 years | – | 29,171 | 34,075 |
| Minimum rental cost recognized in net profit for the year | – | 20,337 | 19,901 |

In January 2017, Bavarian Nordic, Inc. concluded a sub-lease agreement for it's previous facility in Redwood City, California. Bavarian Nordic, Inc.'s rent commitment towards the landlord is included in above numbers with DKK 12.4 million in 2018 and DKK 15.7 million in 2017. In February 2019 both the lease agreeement with the landlord and the sub-lease agreement were ceased. No further obligations exists.

With effect from January 1, 2019, operational leasing and rent commitments have been recognized as a lease obligation in accordance with IFRS 16 Leases, see note 27.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| ***Collaborative agreements*** | | | |
| Contractual obligations with research partners for long-term research projects. | | | |
| – Due within 1 year | 36,884 | 29,646 | 56,418 |
| – Due between 1 and 5 years | – | 7,826 | 63,239 |

The Group has license agreements with the National Cancer Institute (NCI) and Public Health Service (PHS) in the U.S. for PROSTVAC, CV301 and BN-Brachyury, respectively. The agreements include contingent liabilities for the Group to pay performance-based royalties, if and when certain milestone events are achieved. Further, the agreements include potential contingent liabilities for the Group to pay additional sublicensing royalties on the fair market value of consideration received, if and when the Group grants such sublicenses. Payments considered remote are not included in the amounts above.

| DKK thousand | 2019 | 2018 | 2017 |
|---|---|---|---|
| ***Other contractual obligations*** | | | |
| – Due within 1 year | 14,088 | 12,055 | 13,201 |
| – Due between 1 and 5 years | 9,615 | 8,118 | 9,237 |

### Company mortgage

The Company has by letter of indemnity (DKK 150 million) granted Nordea a floating charge on unsecured claims arising from the sale of goods and services and stocks of raw materials, intermediate products and finished products. The floating charge secures the operating credit line of DKK 20 million and the line for trading in financial instruments (DKK 50 million).

### Sales milestone to GlaxoSmithKline

The Asset Purchase Agreement with GlaxoSmithKline regarding the acquisition of the product rights to Rabipur/RabAvert and Encepur includes a sales milestone of EUR 25 million. As per December 31, 2019 Management does not judge the sales milestone to be probable and therefore the sales milestone has not been recognized as either part of the product rights (note 15) nor the deferred consideration for product rights (note 25).

### Tax audit

In April 2018 the Danish tax authority ("Skattestyrelsen") notified the Company that Skattestyrelsen was proposing an 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. During 2018 and 2019 the Company has been in dialogue with Skattestyrelsen regarding the proposal. On July 1, 2019, Skattestyrelsen decided to withdraw the proposed adjustment. The transfer pricing tax audit for 2012-2016 has thereby been completed without any changes to taxable income.

### Lawsuits

Based on management's assessment the Group is not involved in any lawsuits or arbitration cases which could have a material impact on the Group's financial position or results of operations.

## NOTE 32 Significant events after the balance sheet date

On January 27, 2020, the Company announced the completion of the sale of its Priority Review Voucher (PRV) to an undisclosed buyer. Upon completion, the Company received a cash consideration of USD 95 million.

Except as noted above, there have been no significant events between December 31, 2019 and the date of approval of these financial statements that would require a change to or additional disclosure in the financial statements.

## NOTE 33 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and Corporate Management and authorized for issue on February 20, 2020.

# F.2. 2019 PRO FORMA FINANCIAL INFORMATION

## F.2.1 Pro forma financial information

As described in section 9, "Operating and Financial Review", the acquisition of the product rights to Rabipur/RabAvert and Encepur would have had a significant impact on the results of operations, financial position and cash flows for the financial year 2019 had the acquisition of the product rights been effective as of January 1, 2019 instead as of December 31, 2019. Therefore, the Company also presents pro forma financial information of how the acquisition of the product rights might have affected the results of operations, financial position and cash flows for the financial year 2019.

The unaudited pro forma financial information set out below have been prepared for illustrative purposes only and in accordance with Annex 20 of the Delegated Prospectus Regulation. The pro forma financial information was prepared on the basis of the stated criteria described in section F.2.4, "Introduction to unaudited 2019 Pro Forma Financial Information" and in accordance with the accounting policies as described in the Company's audited consolidated financial statements prepared in accordance with IFRS for the financial year ended on December 31, 2019 incorporated by reference, see section 15.3 "*Cross Reference*".

Because of its nature, the pro forma financial information addresses a hypothetical situation and does not, therefore, represent the Company's actual results of operations, financial position and cash flows. Actual results of operations, financial position and cash flows may be materially different. Management gives no assurance that the actual results of operations, financial position and cash flows, if the acquisition of the product rights had been effective on January 1, 2019, would have been as indicated.

### F.2.2 *Statement by Management on unaudited 2019 Pro Forma Financial Information*

In section F.2.5, "Unaudited 2019 Pro Forma Financial Information", Management presents unaudited 2019 Pro Forma Financial Information, prepared on the basis of the adjustments and assumptions set out below, which illustrates the impact the acquisition of the product rights to Rabipur/RabAvert and Encepur could have had on the results of operations, financial position and cash flows for the financial year ended December 31, 2019 had the acquisition of the product rights been effective on January 1, 2019. The 2019 Pro Forma Financial Information is unaudited and has been prepared solely for use in this Prospectus in accordance with the Delegated Prospectus Regulation and is not to be used for any other purposes.

The 2019 Pro Forma Financial Information was prepared on the basis of the stated criteria described in section F.2.4, "Introduction to unaudited 2019 Pro Forma Financial Information" and in accordance with accounting policies as described in the audited consolidated financial statements prepared in accordance with IFRS for the financial year ended on December 31, 2019 incorporated by reference, see section 15.3 "*Cross Reference*".

Management believes that the presented 2019 Pro Forma Financial Information has been properly compiled and that it has in all material respects been presented on the basis of the stated criteria and in accordance with accounting policies as described in the audited consolidated financial statements prepared in accordance with IFRS for the financial year ended on December 31, 2019 incorporated by reference, see section 15.3 "*Cross Reference*".

It should be noted that the 2019 Pro Forma Financial Information solely reflects an illustrative calculation of the matters set out. Actual future financial statement may differ materially from this information.

Copenhagen, March 6, 2020

***Board of Directors***

| | | |
|---|---|---|
| Gerard van Odijk<br>*Chairman* | Anders Gersel Pedersen<br>*Deputy Chairman* | Elizabeth McKee Anderson<br>*Board member* |
| Frank Verwiel<br>*Board member* | Peter Kürstein<br>*Board member* | Anne Louise Eberhard<br>*Board member* |
| Erik G. Hansen<br>*Board member* | | |

***Executive Management***

Paul Chaplin
*President & Chief Executive Officer*

## F.2.3 *Independent Auditor's report on the compilation of pro forma financial information included in a prospectus*

**To the shareholders and potential investors**

We have been assigned to report on whether the pro forma financial information for Bavarian Nordic A/S (the "Company") presented in section F.2. "Pro forma 2019 Financial Information" in the Prospectus has been properly compiled on the basis of the applicable criteria and in accordance with the accounting policies as described in the consolidated IFRS financial statements for 2019 of the Company. The applicable criteria to be applied in the compilation is set out in Commission Delegated Regulation (EU) 2019/980 of March 14, 2019, Annex 20, "Pro forma information" (the "Commission Regulation").

The pro forma financial information is set out in section F.2, "*Pro forma 2019 Financial Information*" of the Prospectus. The applicable criteria on the basis of which the Company has compiled the pro forma financial information are described in section F.2.4, "*Introduction to unaudited 2019 Pro Forma Financial Information*".

The pro forma financial information has been compiled by the Management to illustrate the impact of the transaction set out in section 7.2, "Acquisition of the product rights to Rabipur/RabAvert and Encepur" on the Company's performance for 2019 and financial position as of December 31, 2019 as if the transaction had taken place at January 1, 2019.

We express reasonable assurance in our conclusion.

In this engagement to report on the pro forma financial information the term "*properly compiled*" means that the pro forma financial adjustments have been collected, classified and summarised as well as presented appropriately on the basis of the applicable criteria described in the section F.2.4, "*Introduction to unaudited 2019 Pro Forma Financial Information*".

In this engagement to report on the pro forma financial information the term "in accordance with the accounting policies of the Company" means that the pro forma financial adjustments where relevant and to the extent possible in respect of recognition and measurement (including necessary adjustments) have been prepared consistently with the accounting policies described in the Company's consolidated IFRS financial statements for 2019 incorporated by reference, see section 15.3 *"Cross Reference".*

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on historical unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction at January 1, 2019 would have been as presented. As part of this process, information about the Company's financial performance and financial position has been extracted by Management from the Company's consolidated IFRS financial statements for 2019 incorporated by reference, see section 15.3 *"Cross Reference".*

The pro forma financial information and our accompanying report has been prepared solely for the use of the Prospectus that is prepared in accordance with the Commission Regulation, and is not to be used for any other purposes.

**Management's responsibility**

The Board of Directors and the Executive Management are responsible for the proper compilation of the pro forma financial information on the basis stated and that this basis is consistent with the Company's accounting policies, and that the pro forma financial information complies with the criteria set out in the Commission Regulation.

**Auditors' responsibility**

Our responsibility is, in accordance with the Commission Regulation Annex 20 Section 3, to express an opinion about whether the pro forma financial information has been properly compiled on the basis of the applicable criteria and in accordance with the accounting policies as described in the Company's consolidated IFRS financial statements for 2019.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

We conducted our examinations in accordance with (ISAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", and additional requirements under Danish audit regulation.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside Denmark, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1, and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR – Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

As part of our examinations, we have evaluated whether the disclosed basis for the pro forma adjustments provides a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the historical unadjusted financial information.

The procedures selected depend on the auditors' judgment, having regard to the auditors' understanding of the nature of the Company, the transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

In addition, we have evaluated the overall presentation of the pro forma financial information.

**Conclusion**

This conclusion is based upon the understanding of "*properly compiled*" and "in accordance with the accounting policies of the Company", as disclosed in the introductory paragraphs of the report.

In our opinion, the pro forma financial information has been properly compiled on the basis of the applicable criteria and in accordance with the accounting policies as described in the Company's consolidated IFRS financial statements for 2019.

Copenhagen, March 6, 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
*Central Business Registration No 33 96 35 56*

Martin Norin Faarborg

State-Authorised Public Accountant
*Identification No (MNE) mne29395*

Eskild Nørregaard Jakobsen

State-Authorised Public Accountant
*Identification No (MNE) mne11681*

### F.2.4 *Introduction to unaudited 2019 Pro Forma Financial Information*

The unaudited 2019 Pro Forma Financial Information set out in section F.2.5, "*Unaudited 2019 Pro Forma Financial Information*" has been compiled on the basis of the stated criteria in this section F.2.4, "*Introduction to unaudited 2019 Pro Forma Financial Information*" and in accordance with the accounting policies as described in Company's audited consolidated financial statements prepared in accordance with IFRS for the financial year ended on December 31, 2019 incorporated by reference see section 15.3 "*Cross Reference*" and the Delegated Prospectus Regulation, Annex 3, "*Registration document for secondary issuances of equity*", section 11.5, "*Pro forma financial information*" and Annex 20, "*Pro forma financial information*".

The unaudited 2019 Pro Forma Financial Information presents how the acquisition of the product rights to Rabipur/RabAvert and Encepur might have affected the result of operations, the financial position and cash flows of the Company, had the acquisition of the product rights been undertaken as of January 1, 2019 based on information presently available and certain assumptions that Management considers reasonable.

The unaudited 2019 Pro Forma Financial Information has been prepared by adjusting the unadjusted 2019 amounts for the hypothetical effect on income, expenses, assets, liabilities and cash flows of the Company that the acquisition of the product rights as of January 1, 2019 would have had by applying the accounting policies of the Company.

The financial information of the Company for the financial year ending December 31, 2019 unadjusted has been extracted from the Company's audited consolidated financial statements prepared in accordance with IFRS for the financial year ended on December 31, 2019 incorporated by reference, see section 15.3 "*Cross Reference*".

The Consolidated IFRS Financial Statements of the Company for 2019 include the recognition of the product rights to Rabipur/RabAvert and Encepur, the deferred consideration for the product rights and the obtained Bridge Loan recognized as of December 31, 2019 when the Asset Purchase Agreement was completed.

The Rabipur/RabAvert and Encepur vaccines represented an insignificant share of GSK's vaccine business and revenue and cost were divided between a significant number of legal entities involved in the manufacture and commercialization of the vaccines and therefore a full profit and loss does not exist for the acquired vaccine products. Hence the financial information for the operating activities related to the acquired product rights to Rabipur/RabAvert and Encepur are actual 2019 figures for GSK's revenue related to the Rabipur/RabAvert and Encepur vaccines and the estimated costs of goods sold and operating expenses would Bavarian Nordic had run these activities during 2019.

The adjustments assume a full operating sales organization, purchase of Rabipur/RabAvert and Encepur vaccines, distribution and other services from GSK in accordance with the transition agreement as described in section 18.1.2, "*Transition Agreement*" and the manufacturing and supply agreement as described in section 18.1.3, "*Manufacturing and supply agreement*".

The Offering and the repayment of the Bridge Loan have been included in the Pro Forma Financial Information as "*Pro Forma Adjustments*" since the Company would have completed a rights issue and repaid the Bridge Loan during 2019 had the acquisition of the product rights taken place as of January 1, 2019. It is assumed that the Offering would have been completed at the end of first quarter 2019.

The Company expects that the first milestone payments under the asset purchase agreement will be payable during second half of 2020. These payments have not been included as a Pro Forma Adjustment. Milestone payments are recognized as deferred consideration for product rights in the balance sheet.

Investments and costs related to the ramp-up and the technology transfer from GSK to the Company will start in 2020. These investments and costs have not been included in the Pro Forma Financial Information.

For the 2019 Pro Forma Financial Information it is assumed that the Rabipur/RabAvert and Encepur vaccines will be manufactured by GSK and purchased by the Company in concurrence with the sale hence the Pro Forma Financial Information does not include build-up of inventory by the Company.

The 2019 Pro Forma Financial Information presents Bavarian Nordic's business as presented in the Consolidated IFRS Financial Statements of the Company for 2019 in the column "*2019 Unadjusted*" of the statements presented in section 9.4, "*Financial review of the 2019 Pro Forma Financial Information*". The inclusion of the activities related to the product rights to Rabipur/RabAvert and Encepur has been captured in the "*Pro Forma Adjustments*" column.

For a more detailed explanation of the Pro Forma Adjustments, see notes below in F.2.5, "*Unaudited 2019 Pro Forma Financial Information*".

The unaudited Pro Forma Financial Information should be read in conjunction with the Company's audited consolidated financial statements prepared in accordance with IFRS for the financial year ended on December 31, 2019 incorporated by reference, see section 15.3 "*Cross Reference*".

The unaudited Pro Forma Financial Information is provided for informational purposes only and does not purport to represent the effect of the actual acquisition of the product rights on the results of operations, financial position or cash flows, had the acquisition of the product rights occurred as of January 1, 2019, nor is it necessarily indicative of future results of operations, financial position or cash flows of the Company.

## F.2.5 *Unaudited 2019 Pro Forma Financial Information*

Financial year ending December 31

### *Income Statement*

| DKK million | 2019 Unadjusted | Pro Forma Adjustments | Notes | 2019 Pro Forma Financial Information |
|---|---|---|---|---|
| Revenue | 662 | 1,491 | 1 | 2,153 |
| Production costs | 354 | 926 | 2 | 1,280 |
| **Gross profit** | **308** | **565** | | **873** |
| Sales and distribution costs | 54 | 331 | 3 | 385 |
| Research and development costs | 409 | 5 | 4 | 414 |
| Administrative costs | 173 | 11 | 5 | 184 |
| **Total operating costs** | **636** | **347** | | **983** |
| **Income before interest and tax** | **(328)** | **218** | | **(110)** |
| Financial income | 22 | – | | 22 |
| Financial expenses | 39 | 13 | 6 | 52 |
| **Income before company tax** | **(345)** | **205** | | **(140)** |
| Tax on income for the year | 2 | 18 | 7 | 20 |
| **Net profit for the year** | **(347)** | **187** | | **(160)** |
| ***Key figures*** | | | | |
| EBITDA (non-IFRS) | (271) | 491 | | 220 |
| ***Key ratios*** | | | | |
| Gross profit margin | 47% | 38% | | 41% |
| EBITDA margin | -41% | 33% | | 10% |
| Earnings per share [1)] | (10.7) | 5.8 | | (4.9) |

[1)] Based on weighted average number of issued shares for 2019, excluding newly issued shares in the rights issue

As of December 31

***Balance Sheet***

| DKK million | 2019 Unadjusted | Pro Forma Adjustments | Notes | 2019 Pro Forma Financial Information |
|---|---|---|---|---|
| Product rights | 5,459 | (273) | 2 | 5,186 |
| Other intangible assets | 25 | – | | 25 |
| Property, plant and equipment | 846 | – | | 846 |
| Right-of-use-assets | 61 | – | | 61 |
| Financial assets | 1 | – | | 1 |
| **Total non-current assets** | **6,392** | **(273)** | | **6,119** |
| Inventories | 101 | – | | 101 |
| Receivables | 82 | 164 | 8 | 246 |
| Securities | 175 | – | | 175 |
| Cash and cash equivalents | 297 | 1,749 | 12 | 2,046 |
| **Total current assets** | **655** | **1,913** | | **2,568** |
| **Total assets** | **7,047** | **1,640** | | **8,687** |
| **Equity** | **1,865** | **2,911** | 9 | **4,776** |
| Deferred consideration for product rights | 3,151 | – | | 3,151 |
| Debt to credit institutions | 1,771 | (1,373) | 10 | 398 |
| Other liabilities | 260 | 102 | 11 | 362 |
| **Total liabilities** | **5,182** | **(1,271)** | | **3,911** |
| **Total equity and liabilities** | **7,047** | **1,640** | | **8,687** |

***Cash flow***

| DKK million | 2019 Unadjusted | Pro Forma Adjustments | Notes | 2019 Pro Forma Financial Information |
|---|---|---|---|---|
| Cash flow from operating activities | (276) | 407 | 12 | 131 |
| Cash flow from investment activities | (810) | – | 12 | (810) |
| Cash flow from financing activities | 1,115 | 1,342 | 12 | 2,457 |
| **Cash flow of the year** | **29** | **1,749** | | **1,778** |
| Cash and cash equivalents as of January 1 | 266 | – | | 266 |
| Currency adjustments | 2 | – | | 2 |
| **Cash and cash equivalents as of December 31** | **297** | **1,749** | | **2,046** |

## *F.2.6* *Notes on Pro Forma Adjustments*

### Note 1

The pro forma adjustment relates to the recognition of revenue from Rabipur/RabAvert and Encepur based on actual 2019 sales figures received from GSK. The aggregated revenue of DKK 1,491 million is split into DKK 963 million in sales from Rabipur/RabAvert and DKK 528 million in sales from Encepur.

### Note 2

The pro forma adjustment relates to cost of goods sold for Rabipur/RabAvert and Encepur in total of DKK 653 million calculated based on provided information from GSK about the number of products sold in 2019 and the prices agreed according to the manufacturing and supply agreement as described in section 18.1.3, "*Manufacturing and supply agreement*" based on which GSK will manufacture Rabipur/RabAvert and Encepur until the technology transfer has been completed.

Production costs also include amortization of the product rights to Rabipur/RabAvert and Encepur amounting to DKK 273 million. The product rights to Rabipur/RabAvert and Encepur – recognized at a total value of DKK 5,459 million at initial recognition – are amortized on a straightline basis over the expected useful life of 20 years amounting to DKK 273 million on an annual basis.

| DKK million | |
|---|---|
| Cost of goods sold | 653 |
| Amortization of product rights | 273 |
| **Total pro forma adjustment to "Production costs"** | **926** |

**Note 3**

The pro forma adjustment relates to the distribution service assumed to be provided by GSK for the first year of operation. The service is calculated in accordance with the transition agreement as described in section 18.1.2, "*Transition agreement*" and amounts to DKK 179 million.

The sales and commercial activities related to the product rights to Rabipur/RabAvert and Encepur are assumed to be handled by the Company and are expected to incur an annual cost of DKK 152 million. Staff costs are assumed to amount to DKK 47 million and external expenses are assumed to amount to DKK 105 million, covering primarily market research, branding, advertising materials and rent.

| DKK million | |
|---|---|
| Distribution services | 179 |
| Sales and commercial activities | 152 |
| **Total pro forma adjustment to "Sales and distribution costs"** | **331** |

**Note 4**

The pro forma adjustment relates to the expected level of annual filing fees to regulatory authorities regarding the product rights to Rabipur/RabAvert and Encepur, in total of DKK 5 million.

**Note 5**

The pro forma adjustment relates to administrative costs following the integration of Rabipur/RabAvert and Encepur for setting up new legal entities as well as expanding its current support functions within IT, HR, Legal and Finance. External costs are also expected to increase mostly related to insurance and IT. The increase in administrative costs are assumed to amount to DKK 11 million.

**Note 6**

The pro forma adjustment relates to amortization of arrangement fees and interest expenses on the Bridge Loan, and legal fees directly attributable to the closing of the Bridge Loan Agreement, in total of DKK 13 million. The Bridge Loan is expected to be repaid at the beginning of the second quarter, therefore interest expenses have been included for one quarter.

**Note 7**

The pro forma adjustment relates to the calculated tax on pro forma adjustments to profit before tax of DKK 205 million by applying a Danish tax rate of 22%, in total DKK 45 million, as the taxable profit is expected to be realized at the Danish parent company. The calculated tax expense is reduced by utilization of not recognized deferred tax assets related to tax losses carried forward in Denmark, that under the Danish tax regulation can be deducted in taxable profit by a maximum of 60%. The net tax expense is then DKK 18 million.

**Note 8**

The pro forma adjustment relates to account receivables assumed to equal the sale of Rabipur/RabAvert and Encepur products in December 2019 assuming 30 days of sales outstanding and amounts to DKK 164 million.

**Note 9**

The pro forma adjustment relates to the recognition of the proceeds from the Offering in the amount of DKK 2,724 million. The net result from taking over the product rights to Rabipur/RabAvert and Encepur is expected to total DKK 187 million. The net result has been added to equity.

| DKK million | |
|---|---|
| Net proceeds from Offering | 2,724 |
| Net result from the product rights to Rabipur/RabAvert and Encepur | 187 |
| **Total adjustment to "Equity"** | **2,911** |

**Note 10**

The pro forma adjustment relates to the repayment of the Bridge Loan, following completion of the Offering. The Bridge Loan is measured at amortized costs as of December 31, 2019, DKK 1,373 million. The amortized costs amount to DKK 9 million, hence the repayment totals DKK 1,382 million.

**Note 11**

The pro forma adjustment relates to account payables assumed to equal cost of goods sold related to sales of Rabipur/RabAvert and Encepur products in December 2019 and one month of operating expenses for 2019 assuming 30 days of account payables outstanding, in total DKK 102 million.

**Note 12**

The pro forma adjustment relates to the increase in cash and cash equivalents of DKK 1,749 million following the net result from the product rights to Rabipur/RabAvert and Encepur adjusted for non-cash items, account receivables and account payables, generating net cash inflows from operating activities of DKK 407 million, and the net proceeds from the Offering being DKK 1,342 million higher than the amount to be repaid on the Bridge Loan.

The Company expects that the first milestone payments under the asset purchase agreement will be payable during second half of 2020. These payments have not been included as a Pro Forma Adjustment. Milestone payments are recognized as deferred consideration for product rights in the balance sheet.

| DKK million | |
|---|---|
| Net result from the product rights to Rabipur/RabAvert and Encepur | 187 |
| Amortization on product rights, non-cash items | 273 |
| Amortized costs on bridge loan, non-cash items | 9 |
| Account receivables | (164) |
| Account payables | 102 |
| **Cash flow from operating activities** | **407** |
| Net proceeds from Offering | 2,724 |
| Repayment of Bridge Loan | (1,382) |
| **Cash flow from financing activities** | **1,342** |
| **Total adjustment to "Cash and cash equivalents"** | **1,749** |