*Company Announcement*

# Bavarian Nordic Announces Annual Report 2017

**COPENHAGEN, Denmark, March 12, 2018** – Bavarian Nordic A/S (OMX: BAVA, OTC: BVNRY) announced today its Annual Report for 2017. Below is a summary of business progress, financial performance for the year and financial outlook for 2018 from the report. The full report is attached as a PDF file and can be found on the company's website, www.bavarian-nordic.com.

**Key highlights in 2017**

- Our partnership with Janssen was expanded in July with additional worldwide license and collaboration agreements on our MVA-BN® technology for vaccines against hepatitis B virus (HBV) and the human immunodeficiency virus (HIV-1). The total potential value of the new agreement is up to USD 879 million including an upfront payment of USD 10 million, USD 33 million in an equity investment by subscription of new Bavarian Nordic shares and up to USD 836 million in milestone payments based upon the achievement of specified development, regulatory and sales milestones, in addition to tiered royalties on future sales.
- As part of our strategy to explore our cancer immunotherapy candidate, CV301 in various combinations with immune checkpoint inhibitors across multiple cancers, we entered a drug supply agreement with Roche, who will provide their marketed PD-L1 inhibitor, Tecentriq® (atezolizumab) for a Phase 2 combination trial of CV301 in bladder cancer, planned for initiation in 2018.
- Additional clinical data were reported for our universal RSV vaccine candidate, MVA-BN RSV. Most importantly, top-line results from a Phase 2 dose-ranging study in 421 subjects showed that the vaccine was well tolerated and immunogenic at both dose levels investigated, and confirmed the hypothesis that MVA-BN RSV is the first vaccine candidate designed to induce a broad and robust immune response against five distinct RSV proteins following a single vaccination. Follow-up results furthermore demonstrated that the vaccine induced a durable immune response lasting at least 6 months; a period spanning a normal RSV season.
- In September, after the third interim analysis of the PROSPECT Phase 3 study of PROSTVAC® as a monotherapy in metastatic prostate cancer, the study was discontinued after recommendation from the independent Data Monitoring Committee that the study was unlikely to reach its primary endpoint of overall survival. A new investigator-sponsored Phase 2 combination study of PROSTVAC and nivolumab, Bristol-Myers Squibb's PD-1 inhibitor was initiated in April. Data from this and other ongoing combination trials of PROSTVAC will begin to emerge in 2018, providing early data on the potential synergistic effect of the combination.
- A contract for supply of freeze-dried IMVAMUNE® smallpox vaccine to the U.S. Government was received in September. The contract, valued at up to USD 539 million, includes a bulk supply order of USD 100 million, options valued at USD 299 million for filling and freeze-drying of the bulk vaccine from this contract and the previously awarded bulk supply orders, and options valued at up to USD 140 million for clinical development, regulatory commitments, and parts of the establishment and validation of a fill/finish activities as well as options to acquire additional vaccine bulk and/or freeze-dried doses of IMVAMUNE. In preparation for the supply of freeze-dried vaccines, and to ensure the production capacity to secure the future U.S. stockpile of IMVAMUNE, Bavarian Nordic will invest approximately USD 75 million in the construction of a fill/finish manufacturing line at its facility in Denmark, which is expected to be operational in 2021.
- Outside the U.S., additional smallpox vaccine contracts were entered during the year; in June we received an order from the Public Health Agency of Sweden for 35.000 doses, with an option to procure additional 100,000 doses. And our long-standing collaboration with the Canadian authorities continued as the Canadian Department of National Defence in October exercised another option for the procurement of 20,000 doses, with 100,000 doses remaining exercisable under the current framework agreement.



**Bavarian Nordic A/S** Hejreskovvej 10A DK-3490 Kvistgård Tel. +45 33 26 83 83 CVR-no. 16 27 11 87 info@bavarian-nordic.com www.bavarian-nordic.com

- Our executive management was strengthened with the appointment of Henrik Birk as Chief Operating Officer and Tommi Kainu as Chief Business Officer. The board was also expanded with the election of Elizabeth McKee Anderson, a former Johnson & Johnson executive.

**Key highlights in after the balance sheet date**

- In March 2018, we entered an agreement with Rutgers Cancer Institute on another Phase 2 trial that will investigate the combination of CV301 and nivolumab, Bristol-Myers Squibb's PD-1 inhibitor, in patients with oligometastatic, microsatellite stable colorectal cancer.
- In February 2018, we announced additional data from the Phase 2 study of MVA-BN RSV, showing that vaccinated subjects had increased levels of IgA antibodies in the nasal mucosa, which is highly correlated with immune protection against RSV.
- In February 2018, we entered into a collaboration with Georgetown University that will investigate the combination of CV301 and durvalumab, AstraZeneca's PD-L1 inhibitor, in patients with metastatic colorectal or pancreatic cancers receiving maintenance chemotherapy.
- The second and final Phase 3 study to support FDA approval of IMVAMUNE was successfully completed in February 2018. The study, which compared the efficacy of IMVAMUNE with ACAM2000®, the current U.S. licensed replicating smallpox vaccine, achieved both primary endpoints and even demonstrated higher (two-fold) levels of neutralizing antibodies for IMVAMUNE than ACAM2000. Preparations are ongoing to support the filing of a Biologics License Application in the second half of 2018.
- A new clinical trial of our novel cancer immunotherapy candidate, BN-Brachyury, was initiated in January 2018. The study, which will evaluate the safety of a prime-boost dosing schedule, precedes a number of planned Phase 2 trials, including a trial in chordoma patients later in 2018. The vaccine is targeting brachyury, a key driver of cancer metastasis in several tumor types.
- In January 2018, we announced that Ole Larsen, Executive Vice President and Chief Financial Officer will depart from the Company to pursue new opportunities. The planned transition will take place within 2018 once an appropriate candidate has been identified. Until such time, Mr. Larsen will continue in his current capacity.

Paul Chaplin, President & Chief Executive Officer of Bavarian Nordic said: "2017 will most likely be remembered for the failure of PROSTVAC monotherapy to demonstrate an overall survival benefit for prostate cancer patients. However, we have built what we believe to be a robust company, with multiple value-creating assets that contributed to a solid progress over the year. Our collaboration with industry continues to expand, most notably our partnership with Janssen evolved to include additional two commercial infectious disease targets, but we also entered several collaborations in support of our clinical strategy for CV301 in combination with immune checkpoint inhibitors. Most importantly, our long-term partnership with the U.S. Government has continued to evolve with the award of a contract for supply of freeze-dried IMVAMUNE. While the vaccine continues to be an important revenue driver, full revenues from the new contract will not be recognized until we start deliveries of the final product, which will happen once our projected fill/finish line has been completed and validated, expectedly in 2021. Meanwhile, we will continue to invest significantly in our pipeline to secure the progress of our prioritized projects such as CV301 and our RSV vaccine."

**Financial Performance**

Bavarian Nordic's overall financial results for 2017 were in line with the Company's latest guidance. While the revenue and earnings before interest and taxes (EBIT) projections were maintained throughout the year, expectations to the year-end cash preparedness were upgraded in July 2017 DKK 2,600 million as result of raising DKK 208 million in proceeds from the issue of new shares to Johnson & Johnson Innovation – JJDC, Inc. in connection with the expanded collaboration with Janssen.

Danish kroner (DKK) is the Company's reporting currency. All USD figures provided below are based upon an assumed exchange rate of DKK 6.21 per 1.00 USD, which was the exchange rate as of December 31, 2017.

| | DKK million | | USD million | |
|---|---|---|---|---|
| **2017** | guidance | actual | guidance | actual |
| Revenue | 1,300 | 1,370 | 209 | 221 |
| EBIT | 350 | 353 | 56 | 57 |
| Cash preparedness, year-end* | 2,600 | 2,604 | 419 | 419 |

Revenue was comprised of DKK 823 million from sale of IMVAMUNE to the U.S. Government, DKK 51 million from the sale of IMVAMUNE to other customers, DKK 97 million from ongoing development contracts, and DKK

399 million from the upfront payment received from Bristol-Myers Squibb in March 2015, which was recognized as income in September 2017 following the discontinuation of the PROSPECT study.

**Outlook for 2018**

| 2018E | DKK million | USD million |
|---|---|---|
| Revenue | 500 | 81 |
| EBIT | (385) | (62) |
| Cash preparedness, year-end* | 1,850 | 298 |

** Cash preparedness includes cash, cash equivalents, investments in securities and the aggregate amount of undrawn credit lines.*

Bavarian Nordic expects revenue of approximately DKK 350 million from the IMVAMUNE smallpox vaccine business, including production and storage of bulk vaccine for the U.S. Government and delivery of doses to the Public Health Agency of Canada, and approximately DKK 150 million from ongoing research and development contracts.

With our strategic decision to advance the pipeline, we maintain our research and development costs at similar levels as previous years, and with the establishment of a fill-finish facility to be ready in 2021, we are increasing our investments in the coming years. We are doing this in order to prepare to realize the full value of our contract framework with the U.S. government for supply of freeze-dried IMVAMUNE.

Research and development costs will be approximately DKK 510 million of which DKK 110 million will be recognized as production costs.

**Conference call and webcast**
The management of Bavarian Nordic will host a conference call today at 2 pm CET (9 am EDT) to present the annual results followed by a Q&A session. A listen-only version of the call can be accessed via http://www.bavarian-nordic.com/investor/events.aspx?event=5282. To join the Q&A session, use one of the following dial-in numbers: Denmark: +45 35 15 81 21, UK: +44 (0) 330 336 9411, USA: +1 323-794-2551. Participant code is 8332812.

**About Bavarian Nordic**
Bavarian Nordic is a fully integrated biotechnology company focused on the development of innovative and safe therapies against cancer and infectious diseases. Using our live virus vaccine platform technology, MVA-BN®, we have created a diverse portfolio of proprietary and partnered product candidates intended to improve the health and quality of life for children and adults. We supply our IMVAMUNE® non-replicating smallpox vaccine to the U.S. Strategic National Stockpile and other government stockpiles. The vaccine is approved in the European Union (under the trade name IMVANEX®) and in Canada. Registration studies are currently underway in the U.S. In addition to our long-standing collaboration with the U.S. government on the development of IMVAMUNE® and other medical countermeasures, our infectious disease pipeline comprises a proprietary RSV program as well as vaccine candidates for Ebola, HPV, HBV and HIV, which are developed through a strategic partnership with Janssen. Additionally, in collaboration with the National Cancer Institute, we have developed a portfolio of active cancer immunotherapies, designed to alter the disease course by eliciting a robust and broad anti-cancer immune response while maintaining a favorable risk-benefit profile. Through multiple industry collaborations, we seek to explore the potential synergies of combining our immunotherapies with other immune-modulating agents, e.g. checkpoint inhibitors.

For more information visit www.bavarian-nordic.com or follow us on Twitter @bavariannordic.

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

**Contacts**
Rolf Sass Sørensen
Vice President Investor Relations (EU)
Tel: +45 61 77 47 43

Seth Lewis
Vice President Investor Relations (US)
Tel: +1 978 341 5271

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