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**MANAGEMENT DISCUSSION SECTION**

Operator: Good morning ladies and gentlemen and welcome to the Novavax 2009 Fourth Quarter and Year-End Results Conference Call. My name is Devon and I will be your coordinator for today. At this time all participants are in a listen-only mode. We will be facilitating a question-and-answer session towards the end of today's conference. [Operator Instructions]

Novavax, please proceed with your call.

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**Tricia J. Richardson, Senior Manager, Investor Relations**

Good morning and thank you for joining Novavax for today's 2009 fourth quarter and year-end results conference call. Both the earnings release from this morning and an archive of this earnings call can be found on the company's website at [novavax.com](http://novavax.com).

On today's call are Novavax's President and CEO, Dr. Rahul Singhvi and members of our executive team. Before we begin our prepared remarks, I would like to remind you that we will be making forward-looking statements during this teleconference that could include financial, clinical or commercial projections.

Statements herein relating to future financial or business performance, conditions or strategies and other financial and business matters, including expectations regarding revenues, operating expenses, cash burn and clinical developments and anticipated milestones are forward-looking statements within the meaning of the Private Securities Litigation Reform Act.

Novavax cautions that these forward-looking statements are subject to numerous assumptions, risks and uncertainties which change over time. Further information on the factors and risks that could affect Novavax's business, financial conditions and results of operations are contained in Novavax's filings within the U.S. Securities and Exchange Commission, which are available at [www.sec.gov](http://www.sec.gov). These forward-looking statements speak only as of the date of this call and Novavax assumes no duty to update such statements.

I will now turn the call over to Dr. Rahul Singhvi.

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**Rahul Singhvi, Sc.D., M.B.A., President and Chief Executive Officer**

Thank you, Tricia and good morning everyone. Thank you all for joining us today. On today's call, I will review the progress that we have made in the fourth quarter and then have Fred give us an update on the fiscal year 2009 financial results, which we reported this morning. Then I'll discuss the significant progress Novavax has made during the full year 2009 towards the development of our pandemic seasonal influenza VLP vaccines and also the Respiratory Syncytial Virus or RSV vaccine program and provide an update on our plans for 2010.

The highlights of the fourth quarter were the progress we made towards our H1N1 vaccine program in Mexico. This was especially gratifying since this program, which was launched in late October, has moved at a very rapid pace. It was an ambitious program to begin with and with the target enrollment of 4,500 subjects, it was also the largest clinical study in the company's history. Earlier this week we were thrilled to report that Novavax had completed the enrollment of the second stage of this trial with a final total of 4,550 subjects now enrolled in the full trial.

The results from this trial if positive will be used to support registration of Novavax's 2009 H1N1 VLP pandemic influenza vaccine in Mexico. Note that the first stage of testing of our – of this H1N1 influenza vaccine in the first 1,000 patients has produced very encouraging results, which we

reported in December last year. These results showed that this vaccine was well tolerated at all doses that we tested and, as you know, safety is of the utmost importance for any new investigational vaccine since it's given to healthy recipients and we are pleased to see such a good tolerability profile of our vaccine.

In addition to the excellent safety profile, our VLP vaccine produced a robust immune response measured by the hemagglutinin inhibition or HAI antibody assay and it met both the seroconversion conversion and seroprotection criteria recommended by the U.S. and European regulatory authorities. We also made great strides with our trivalent seasonal influenza vaccine. Last May we launched our double-blind placebo-controlled Phase IIa study of our trivalent seasonal influenza vaccine in healthy adults aged between 18 and 49 years of age. The trial was a dose ranging study that compares the safety, tolerability and immunogenicity of two different doses of Novavax's trivalent seasonal influenza VLP vaccine to placebo and to a commercially available trivalent inactivated vaccine or TIV.

The results from this 221 patient study reported in November have been very encouraging. Similar to our results in Mexico, our trivalent VLP vaccine in this study was well tolerated and no vaccine related serious adverse events have been reported thus far. Data from this trial continues to reinforce the excellent safety profile of our VLP influenza vaccines.

In this seasonal influenza study in healthy adults we also reported that our VLP vaccine induced good hemagglutinin inhibition antibody responses and these were similar to TIV against all three vaccine strain and a drifted strain. The last month we reported additional positive immunological data from the study that we're very excited about. In addition to the HAI responses we measured functional antibody responses against neuraminidase in the sera of the volunteers who participated in the study post vaccination.

Note that neuraminidase is an important surface antigen other than hemagglutinin on the flu virus and is part of our VLP vaccine. Functional antibody against neuraminidase was determined by its ability to inhibit the enzymatic activity of this enzyme. Inhibition of neuraminidase activity may be important in reducing the spread of influenza virus down the respiratory track since neuraminidase is responsible for release of influenza virus from infected cells.

The results from our clinical study showed that 50 to 73% of the volunteers that were immunized with our VLP vaccine had a four-fold increase in the antibody levels that blocked in neuraminidase activity. This is very important because the four-fold rise in antibody responses is clinically meaningful. In contrast only one of 19 volunteers that received the current standard of care, which is Fluzone, this showed a four-fold rise for NAI, there was no four-fold rise in volunteers that received placebo. We believe that these data suggest a potentially significant differentiating factor for our vaccine compared to the currently marketed trivalent inactivated vaccines.

The results from this trial have been sufficiently positive to give us confidence to test our seasonal trivalent influenza VLP vaccine in older adults aged 60 or older which we did start in November last year. A total of 467 patients have been enrolled in this new trial at six clinical sites in the United States. We expect to receive results shortly from this head-to-head study between our VLP vaccine candidate and a commercially available trivalent inactivated flu vaccine. If positive, these results should further advance our program towards Phase III testing and will provide important comparative safety and immunogenicity data of our vaccine against a marketed vaccine in the population where a better vaccine is badly needed.

Let me now turn the call over to our CFO Fred Driscoll, to review the year-end financials, and I will come back to provide a review of our other accomplishments in 2009. Fred.

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**Frederick W. Driscoll, Vice President, Chief Financial Officer**

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Thank you, Rahul. Our net loss for the fourth quarter of 2009 was \$14 million or \$0.15 per share compared with a net loss of \$11.1 million or \$0.16 per share for the same period last year. For 2009 the company reported a net loss of 38.4 million or \$0.45 per share compared to a net loss of 36 million or \$0.53 for 2008. The primary driver of the increased loss in the fourth quarter and the year-over-year results is due to the number and size of the clinical trials that were performed in 2009 as compared to 2008.

As of December 31, 2009 Novavax had cash, cash equivalents and short-term investments of \$43 million and essentially no debt as compared with approximately 33.9 million in cash and \$23 million of debt at December 31, 2008. During 2009 we raised net proceeds of \$56 million from sales of equity and paid \$22 million in convertible debt. Working capital increased from 7.4 million in 2008 to 36.5 million in 2009. From a working capital perspective, we entered 2010 in a very solid position.

And with that, let me turn the call back to Rahul.

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**Rahul Singhvi, Sc.D., M.B.A., President and Chief Executive Officer**

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Thanks, Fred.

One of the key events of 2009 was the formation of CPL Biologicals, a joint venture in India with our partner Cadila Pharmaceuticals. This JV will develop and commercialize our pandemic and seasonal influenza on vaccine candidates and Cadila's biogeneric products and other diagnostic products for India. CPL Biologicals is currently building a 25,000 square foot, state of the art vaccine and biological manufacturing facility for production of our vaccine and other products, and is expected to complete around the April-May timeframe. In addition, as this facility is being built according to the U.S. and European standards, it will meet all the criteria for the product to be sold in other parts of the world.

Our programs in Mexico and India represent the essence of our international business development strategy. Each involves partnerships with other companies to share risk and expertise each leverages the capabilities and resources of the partners to bring our vaccines to market as quickly as possible. Last year we also developed a new vaccine candidate for RSV to fill a serious unmet medical need in the very young children and elderly patients.

To date, there are no approved vaccines available for RSV, and a safe and effective vaccine against RSV is especially needed. On an annual basis, in the seven largest markets in the world, approximately 1 million becomes hospitalized with this infection. RSV is a leading cause of death in infants, and the potential market for an RSV vaccine could well exceed \$1 billion annually.

We have completed preclinical testing of our F protein particle-based RSV vaccine candidate in a cotton rat model, which is considered a good model for evaluating RSV vaccine candidates. We recently reported the results from this study, which showed that our RSV vaccine candidates completely protected vaccinated animals, and there was no evidence of enhanced disease in the lungs of vaccinated animals following the challenge with live RSV virus.

As Fred mentioned, our clinical success last year was matched with our financial success, thanks to approximately \$56 million in new capital that we raised through sales of our common stock to Cadila Pharmaceuticals and institutional investors. These funds have not only supported our product development programs, but have also helped us to eliminate our convertible debt of \$22 million, resulting in a much stronger working capital position. I thank our shareholders for your support and assure you that we are deploying our capital efficiently towards the advancement of our important vaccine candidates.

This year, we look forward to reporting results from clinical studies of our H1N1 vaccine in Mexico and our head-to-head trivalent seasonal influenza vaccine in the elderly. We also plan to advance our RSV vaccine candidate into clinical trials, now that we've obtained compelling data from preclinical studies and have successfully scaled-up production of this vaccine in our pilot plant here in Rockville, Maryland.

In September 2009, we responded to the Department of Health and Human Services' BARDA request for proposal for a potential contract for the advanced development of recombinant influenza vaccines. This contract, if awarded to us, should provide a significant important funding for advancing our clinical development of both our pandemic and seasonal influenza vaccines. We plan to begin Phase III studies of our influenza vaccines, subject to the expected results of the ongoing Phase II studies in older adults and future clinical pathways that we will discuss with the FDA.

We made a few board changes last year, and I wish to acknowledge the recent appointment of Stan Erck as our Executive Chairman. Stan joined Novavax's Board last year and brings invaluable experience in vaccine development, production, and marketing from his work at Iomai, Procept, Integrated Genetics, and Baxter. We are also grateful for the support and guidance and the many contributions over the past three years of our former Executive Chairman, John Lambert.

In the meantime, we are recruiting two new independent directors to join our board and satisfy NASDAQ's requirement for the majority – that the majority of our directors be independent.

In summary, I believe we had a very successful year in 2009. We advanced our vaccines against pandemic and seasonal influenza and RSV, reported positive results for all our studies, secured partnerships in India and Mexico to address critical public health needs in those countries, strengthened our group working capital, and met nearly all of our key corporate objectives.

I expect that we'll continue this momentum in 2010 and be equally successful and productive. Most of all, I want to thank our employees for their contributions, dedication, and hard work.

That concludes our prepared remarks. Now I'd like the operator to open the call to your questions.

**QUESTION AND ANSWER SECTION**

Operator: [Operator Instructions]: Our first question comes from Ted Tenthoff [Piper Jaffray].

**<Q – Edward Tenthoff>**: Great, thank you very much for taking my call, and congrats on a productive year.

I wanted to dig in a little bit more, Rahul, if I may, on the upcoming data, what should we be expecting? Can you put that in terms of what to look for, and what you hope to see in the flu study?

**<A – Rahul Singhvi>**: So there are a number of different data sets that you will be seeing in the next several months.

First, we still have to report the full 1,000 subject data from the H1N1 Mexico study. Remember the data that we presented in December was only from the first 500 subjects of that Stage A. So we will be reporting the full 1,000 subject immunogenicity and safety data from Stage A. So that's one data set.

**<Q – Edward Tenthoff>**: When should we get that?

**<A – Rahul Singhvi>**: It should be very shortly. Those data should be coming out shortly. So that's one.

**<Q – Edward Tenthoff>**: Great.

**<A – Rahul Singhvi>**: Second, the elderly trial that we talked about, those data we expect sometime in April.

Now this is a study, as you know, is the head-to-head study with Fluzone, the current marketed – the largest marketed product for flu in the United States, against our VLP vaccine. And here we expect to see a comparative data set of the tolerability of our vaccine against the marketed vaccine, the immunological profile as measured by both HAI titers, as well as, as I mentioned in this call, the antibody titers against neuraminidase elicited by our vaccines compared to the TIV in this population. And then we will continue to report data on neuraminidase inhibition antibody responses from some of our other previous studies as well.

**<Q – Edward Tenthoff>**: Great. Now put that in perspective for us, because we know it's important. But how – in the community and with treating physicians, and in the medical community, how exciting is that neuraminidase activity?

**<A – Rahul Singhvi>**: Well, as you correctly pointed out, this is a very crowded community, and there are lot of vaccines that are generally considered to be equivalent to each other. So having any vaccine that has the potential to improve the efficacy of the vaccine will be highly sought after.

So we believe that, at least with the data sets that we have started to show, that there is a hypothesis for a VLP vaccine – which, by the way, does not contain an adjuvant – to – does creating a better antigen have the possibility of improving the efficacy.

Now, certainly, we are far from making that conclusion, but there is certainly some very intriguing immunological data that should give us some encouragement here.

**<Q – Edward Tenthoff>**: That's great. And then switching gears just a little bit, with respect to the BARDA contract, can you give us any update on timing there, and when we should be hearing something?

<A – Rahul Singhvi>: Ted, we are not really able to give you any guidance there because this is an area where we absolutely have no communication.

So we are holding our breath. So as soon as we find out, we will let you know.

<Q – Edward Tenthoff>: Okay. Good luck, keep it up.

<A – Rahul Singhvi>: Thank you, Ted.

Operator: Thank you. Our next question comes from Bud Leedom [Global Hunter Securities].

<Q – Bud Leedom>: Hi, thanks for taking my questions, and my congratulations also on the milestones there.

Just on CPL facility in India, that's great, we're going to see April to May completion. Can you provide any update on vaccine production capabilities of that, as it ramps?

<A – Rahul Singhvi>: Right. So the expectation there is that this facility is going to have enough capacity to supply the market demand in India.

So certainly, as you all know, that the market demand in India for trivalent vaccines, at least, is not very high. So it's going to see a ramp over time. And as we mentioned, we expect to source material from that facility to sell in potentially in other countries.

So depending on what kind of demand we have for them, we will then create or plan the appropriate capacity in that facility. But having a supply solution like that is, strategically, extremely important for the company.

<Q – Bud Leedom>: Right – right, okay. And then just in terms of update – an update on Mexico on the H1N1 program, I mean given the slower H1N1 season that we saw pretty much worldwide, and the availability of H1 vaccine in the market currently, is there potentially a changing dynamic there?

I mean obviously the data has been very robust. What are your plans in Mexico as that goes through? Maybe you can characterize that.

<A – Rahul Singhvi>: Well, I think H1N1 is still the largest circulating strain of flu in the world, and is expected to be that way for some time.

We have no visibility in terms of what the market demand is going to be over there. So we will certainly be keeping an eye on it.

But the data in of itself is of great value to the company, not only for registration of the product in Mexico, potentially in other parts of the world. And certainly, we hope that we can use it in the United States as well.

<Q – Bud Leedom>: Great, great. And then just finally, Fred, given the level of expenses we saw in the fourth quarter, and obviously things are very busy over there, can you provide any update potentially on 2010 in terms of what we may see as you further your clinical progress?

<A – Frederick Driscoll>: Bud, as a standard policy, we typically do not give guidance.

What I can refer you to of a filing that we will be doing shortly is that the guidance in our 10-K will say that we have at least a minimum of one year's worth of on-hand cash. With that said, as Rahul

has said, there are a variety of moving parts here, between BARDA as well as future clinical development with both seasonal and pandemic influenza vaccines.

So again, we're not giving guidance, but we do feel that we, at least, from a liquidity perspective, have ample cash to get us through the next 12 months.

<Q – Bud Leedom>: Okay, great. Congratulations again and thank you.

<A – Frederick Driscoll>: Thank you, Bud.

<A – Rahul Singhvi>: Thanks, Bud.

Operator: Thank you. [Operator Instructions] Our next question comes from George Zavoico [McNicol Lewis Vlax].

<Q – George Zavoico>: Hi, Rahul. Hi, Fred. Congratulations on a productive quarter, as well.

<A – Rahul Singhvi>: Thanks.

<Q – George Zavoico>: A couple of questions regarding the trial in Mexico. You've completed enrollment, you are going to follow the safety for several weeks. What is the timeline for registration and possible approval in Mexico?

<A – Rahul Singhvi>: George, so let me just first answer your question about the timeline.

So the second stage, or Stage B of this trial, which involved approximately 3,500 subjects, is purely a safety trial. So we are looking at acute events for – in the first 21 days or so, and then we follow these subjects for six months to look at serious adverse events.

Now the registration in Mexico is not dependent on that entire timeline. In fact, we have already submitted our application with the data that we have from Stage A to the Mexican authorities, and in fact, we are waiting to hear from them. And as we get data from Stage B, we continue to amend the file that we have already submitted to Mexico.

<Q – George Zavoico>: And is there a comparable PDUFA time in Mexico? I mean, what's the average approval time in Mexico?

<A – Rahul Singhvi>: Based on how quickly they approved our clinical protocol, I think they are going to be quite expeditious in reviewing this. So we remain cautiously optimistic that they will review our file in a timely manner.

<Q – George Zavoico>: So there is no guarantee with any regulatory agency, that's for sure?

<A – Rahul Singhvi>: No.

<Q – George Zavoico>: So, but it's conceivable, then, it might be approved in time for the next flu season?

<A – Rahul Singhvi>: Yes.

<Q – George Zavoico>: Excellent. Can you tell me a little bit about – maybe this is addressed before, the differentiating factor with neuraminidase inhibition, that's clearly very important. And but it's going to require – I believe this is probably going to require some sort of verification in trials before you can actually promote that difference. It looks like it's going to – it's going to happen. But,

what's your strategy in being able to leverage that information into actually marketing and promoting the flu vaccine when it's finally approved?

**<A – Rahul Singhvi>**: So I think that there are a number of different steps here. First is, I think we want to confirm that what we've seen in the trials that we reported the data from is also seen in other trials, in particular, the trials in the elderly population where this could be quite important. So we want to certainly look at the immunological data from these trials. We want to ensure that the bridge between the immunological responses to efficacies is firmly established in at least a ferret model before we go forward with expensive clinical trials to show efficacy. So I think our initial set of experiments will involve; first, showing that we are seeing this immunological response in multiple different age populations in the various trials that we've already done with different strains of flu, and then establishing the bridge to efficacy through some well-established animal models like the ferret model.

**<Q – George Zavoico>**: And then you'd have to do a larger comparative trial, I presume, with this as being one of the endpoints as well as the rate of flu – the rate that subjects actually get the flu. Yes. Okay.

**<A – Rahul Singhvi>**: Eventually that's what you will need, yes.

**<Q – George Zavoico>**: Okay. Now you terminated or discontinued discussions with ROVI and mentioned that this opened up an opportunity for a perhaps a larger more lucrative deal. What can you say, if anything, about the progress in that regard?

**<A – Rahul Singhvi>**: We really don't talk much about any potential discussions with partners, but I mean, as you know, we remain in discussions with them all the time.

**<Q – George Zavoico>**: Okay. Terrific. Thank you very much and we look forward to the upcoming results in the next few months.

**<A – Rahul Singhvi>**: Thank you, George.

Operator: Thank you. I'm showing no further questions. I'll turn the call back over to you, Dr. Singhvi.

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**Rahul Singhvi, Sc.D., M.B.A., President and Chief Executive Officer**

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Okay. So thank you all and this has been an extraordinarily productive time for all of us and I'm confident that as we continue to create value for all of our shareholders and we look forward to our next update and appreciate your time today. Thank you.

Operator: Thank you for your participation in today's conference call. This concludes the Novavax presentation. You may all now disconnect. Have a good day.

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