Company Announcement

Bavarian Nordic Announces First Half 2018 Results

COPENHAGEN, Denmark, August 16, 2018 – Bavarian Nordic A/S (OMX: BAVA, OTC: BVNRY) announced today its interim financial results and business progress for the first half of 2018 and releases its financial calendar for 2019.

- Positive RSV Phase 2 results recently confirmed the durability of broad vaccine responses after 1 year, which were rapidly increased following an annual booster vaccination.
- Compelling new research indicates a broader and more potent anti-tumor response after intra-tumoral and intravenous administration, which will broaden our strategy while we maintain our plans to evaluate CV301 in combination with checkpoint inhibitors in three indications. In-line with this strategy for CV301, the lung study will not continue into Phase 2.
- Financial results were in line with our expectations and outlook is maintained. Production and deliveries remain on track to fulfil full year guidance.
- Upgraded cash preparedness provides increased flexibility to execute on the Company's growth strategy.

"During first half of 2018, we have made important progress supporting the future growth of Bavarian Nordic. Several new studies have been initiated for our cancer vaccine candidates in collaboration with investigators and industry; but I am particularly excited to announce a broadening of our oncology strategy based on compelling new research data. The positive IMVAMUNE Phase 3 results have paved the way for a BLA submission later this year, and our recent RSV data have confirmed our strong position as a leading company in this field. We remain on track with the construction of a new fill/finish facility, which is key for our future revenue generation, and with the recent loan agreement from the European Investment Bank, backing this large investment, we maintain a strong financial flexibility" said Paul Chaplin, President & Chief Executive Officer of Bavarian Nordic.

Financial results
Financial results for the first half year were in line with our expectations.

- Revenue generated for the six months ending June 30, 2018 was DKK 98 million/USD 15 million (DKK 595 million/USD 93 million in the first six months of 2017).
- The income before interest and tax (EBIT) was a loss of DKK 280 million/USD 44 million (profit of DKK 99 million/USD 15 million in the first six months of 2017).
- As of June 30, 2018, the Group's cash preparedness was DKK 2,211 million/USD 346 million (DKK 2,604 million/USD 407 million as of December 31, 2017).

Outlook for 2018 maintained, cash preparedness upgraded
Bavarian Nordic maintains its financial expectations for 2018 as announced on March 12, 2018 with revenues of approximately DKK 500 million/USD 78 million for the full year and a loss before interest and tax (EBIT) of approximately DKK 385 million/USD 60 million. The majority of the 2018 revenues are related to the production and release of IMVAMUNE vaccine for the U.S. Government, which will occur in the second half of 2018. The expected cash preparedness at year-end was recently upgraded from approximately DKK 1,850 million/USD 289 million to approximately DKK 2,100 million/USD 329 million after being granted an unsecured loan facility of EUR 30 million from the European Investment Bank. This loan will support the Company's investments into a new fill-finish manufacturing facility, which is currently under construction and on track.

Danish kroner (DKK) is the Company's functional currency. Solely for information purposes, figures above have also been converted into USD using an assumed exchange rate of DKK 6.39 per 1.00 USD, which was the exchange rate as of June 30, 2018. The financial expectations are based on an exchange rate of DKK 6.60 per 1.00 USD.

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Operational highlights and subsequent events

Broadening our immunotherapy strategy

- Based on new findings in research, Bavarian Nordic plans to initiate two clinical studies during first half of 2019 evaluating the intravenous administration of BN-Brachyury and the intra-tumoral administration of CV301 in patients with solid tumors. Preclinical studies have shown that both approaches have significant advantages in either stimulating larger numbers of killer T cells with heightened killer activity against cancer cells, induction of inflammatory cytokines, stimulating natural killer (NK) cells; another arm of the immune system, or changing the immunosuppressive environment within tumors supporting improved T cell killing of cancer cells.
- These studies will evaluate the safety and certain immune parameters, and together with additional preclinical activities, will inform the further development of intravenous and intra-tumoral vaccination, including the potential for next-generation constructs with improved activity.

Pipeline Developments

- Reported positive results from a Phase 2 extension study of our RSV vaccine, MVA-BN® RSV. The study revealed durable antibody and T cell responses against RSV one year post the original booster vaccination with MVA-BN RSV. These immune responses were significantly boosted following a further annual booster, particularly in the subjects with the weakest immunity at the baseline prior to the second vaccination. Results support an annual booster vaccination with MVA-BN RSV and will be important in discussions with the FDA concerning Phase 3 design later this year.
- Disclosed positive Phase 3 efficacy data for the IMVAMUNE® smallpox vaccine in comparison to ACAM2000, the replicating smallpox vaccine licensed in the U.S. The Company plans to file a BLA during 2018 and if approved, the Company would also be eligible to receive a Priority Review Voucher.
- Announced a partnership with the U.S. Department of Defense to develop a prophylactic vaccine against three separate strains of the equine encephalitis virus. The DoD will fund development of the MVA-BN® based vaccine, with total financial considerations potentially reaching USD $36 million.
- Our CV301 immunotherapy candidate has progressed into Phase 2 trials with the recent initiation of an investigator-led study in colorectal cancer evaluating the combination therapy of CV301, and Bristol Myers Squibb's checkpoint inhibitor, nivolumab (OPDIVO®). Two additional combination studies with other immune checkpoint inhibitors in patients with bladder and colorectal cancer are planned for initiation later this year, in-line with our strategy to seek rapid proof of concept for the combination of our platform and checkpoint inhibition.
- In line with our revised CV301 strategy to perform smaller studies with the potential for fast proof of concept, the Company will not be initiating the Phase 2 combination study of CV301 and pembrolizumab (KEYTRUDA®) in non-small cell lung cancer (NSCLC) as planned. The results of the Phase 1/1b combination study with nivolumab (OPDIVO®) or pembrolizumab (KEYTRUDA®) will be reported later this year.
- BN-Brachyury for the treatment of chordoma, a rare bone cancer of the spine and base of the skull, received an orphan drug status with the FDA. Bavarian Nordic plans to initiate a Phase 2 study investigating BN-Brachyury in combination with radiation treatment in patients with chordoma in second half of 2018.
- A multi-company collaborative NCI-sponsored trial was initiated evaluating BN-Brachyury with multiple combinations of experimental immune modulating candidates (a bifunctional anti-PDL1–TGF-beta fusion protein; IL-15/IL-15R superagonist and an IDO inhibitor), initially in patients with multiple solid tumors and expanding into men with metastatic castrate-resistant prostate cancer (mCRPC).

Corporate

- Obtained a non-dilutive, currently undrawn EUR 30 million (USD $35 million) loan from the European Investment Bank (EIB), providing Bavarian Nordic with the financial flexibility to enhance its manufacturing capabilities, while continuing to focus on its research and development
- Based on the loan commitment by the EIB, Bavarian Nordic raised its 2018 year-end cash preparedness from approximately DKK 1,850 million (USD $289 million) to DKK 2,100 million (USD $329 million).
- Henrik Juuel was appointed new CFO and Executive Vice President. He will join Bavarian Nordic in the fourth quarter of 2018.

Anticipated selected pipeline developments

IMVAMUNE

- Filing of Biologics License Application (BLA) for liquid-frozen IMVAMUNE (H2, 2018)
- Initiation of a Phase 3 IMVAMUNE freeze-dried lot consistency study (H1, 2019)
- Anticipated FDA approval and award of a Priority Review Voucher (2019)

RSV

- Initiate discussions with the FDA on the regulatory pathway for approval (H2, 2018)
- Decide on the feasibility of a human challenge study (H2, 2018)

Janssen partnership

- Initiate Phase 1 study of MVA-BN HIV + AdVac (H2, 2018*)
- Initiate Phase 1 study of MVA-BN HPV + AdVac (H2, 2018*)

CV301

- Initiate Phase 2 study in combination with atezolizumab in bladder cancer (H2, 2018)
- Initiate Phase 2 study in combination with durvalumab in colorectal cancer (H2, 2018)
- Report clinical results of NSCLC combination Phase 1/1b (H2, 2018)
- Initiate a Phase 1 intra-tumoral administration in patients with solid tumors (H1, 2019)

BN-Brachyury

- Report clinical results from Phase 1 study (H2, 2018)
- Initiate Phase 2 study in patients with chordoma (H2, 2018)
- Initiate Phase 1 intravenous administration (H1, 2019)

** Janssen is responsible for the clinical development*

Conference call and webcast
The management of Bavarian Nordic will host a conference call today at 2 pm CEST (8 am EST) to present the interim results followed by a Q&A session. A live and recorded webcast of the presentation can be accessed via http://www.bavarian-nordic.com/investor/events.aspx?event=5284. 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.

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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.

MANAGEMENT REVIEW

Product Pipeline
Our pipeline comprises multiple product candidates that are subject to more than 20 ongoing clinical studies in infectious diseases and cancer. Most of our programs are supported by external funding through either corporate or governmental partnerships. Detailed information on our pipeline programs is available in Bavarian Nordic's annual report or on the Company's website: www.bavarian-nordic.com.

Product	Indication	Status	Collaborator
INFECTIOUS DISEASES			
IMVAMUNE *liquid-frozen* *	Smallpox	Approved/Phase 3	BARDA
IMVAMUNE *freeze-dried*	Smallpox	Phase 2	BARDA
MVA-BN RSV	Respiratory Syncytial Virus	Phase 2	
MVA-BN Filo *monovalent* **	Ebola	Phase 3	Janssen
MVA-BN Filo *multivalent* **	Ebola/Marburg	Phase 2	Janssen
MVA-BN HPV + AdVac **	Chronic HPV infection	Phase 1 planned in 2018	Janssen
MVA-BN HIV + AdVac **	HIV-1	Phase 1 planned in 2018	Janssen
MVA-BN HBV + AdVac **	Hepatitis B	Preclinical	Janssen
CANCER IMMUNOTHERAPY			
CV301 + *nivolumab/pembrolizumab*	Non-small cell lung cancer	Phase 1	
CV301 + *nivolumab*	Microsatellite stable oligometastatic resectable colorectal cancer	Phase 2	Bristol-Myers Squibb
CV301 + *atezolizumab*	Metastatic Bladder cancer	Phase 2 planned in 2018	Genentech
CV301 + *durvalumab*	Advanced Metastatic Microsatellite Stable Colorectal cancer	Phase 2 planned in 2018	AstraZeneca
BN-Brachyury	Chordoma	Phase 2 planned in 2018	
BN-Brachyury	Advanced Solid tumors	Phase 1	NCI
PROSTVAC *combinations*	Prostate cancer	Phase 2	NCI

* *Approved in Canada and the European Union (marketed as IMVANEX® in the EU). Phase 3 completed in the U.S.*
** *Licensed by Janssen, who is responsible for the clinical development*

IMVAMUNE® liquid frozen
IMVAMUNE is the only non-replicating smallpox vaccine approved in Europe for use in the general adult population (marketed under the trade name IMVANEX®) and in Canada for use in a public health emergency for adults who are contraindicated to replicating smallpox vaccines. As part of our partnership with the U.S. Government, we are currently working towards the approval of IMVAMUNE in the U.S. The second and final Phase 3 study to support FDA approval of IMVAMUNE as a liquid frozen formulation was successfully completed in February 2018. This randomized, open-label study in 440 volunteers, revealed the peak neutralizing antibodies induced by IMVAMUNE were shown to be 2-fold higher than those stimulated by ACAM2000. This met the co-primary endpoint of non-inferiority and was even shown to be a statistically superior immune response. Importantly, vaccination with IMVAMUNE resulted in a highly-attenuated take (reduction in lesion size), and in fact prevented the vaccine take in most of subjects re-vaccinated with ACAM2000, thereby also successfully meeting the second co-primary endpoint of the study. The Company is currently preparing the submission of a BLA in the second half of 2018. If approved, the Company would also be eligible to receive a Priority Review Voucher.

IMVAMUNE® freeze-dried
In parallel with the development of liquid-frozen IMVAMUNE, efforts to provide a long-term storage solution for IMVAMUNE have been ongoing since 2009, resulting in the development of a freeze-dried formulation of the vaccine, which offers a longer shelf life. Several activities to support the final development, future production and stockpiling of the new formulation are now in their completion phase.

To replenish and replace the existing stockpile of IMVAMUNE at the U.S. Strategic National Stockpile (SNS), the Company was awarded a new contract from BARDA in September 2017, initially valued at up to USD 539 million for the supply of freeze-dried IMVAMUNE. This represented the single largest order for IMVAMUNE and included an additional vaccine bulk order of USD 100 million and options valued at USD 439 million. The options included USD 140 million to support additional clinical activities and the transfer of the freeze-dried manufacturing process to Bavarian Nordic's new facility. An additional option of USD 299 million is related to the filling and freeze drying of all the vaccine bulk from the current contract (USD 100 million) and previous options from the IMVAMUNE liquid frozen contract (USD 233 million) that represents approximately 13 million freeze-dried IMVAMUNE doses. The ten-year contract also includes pricing for additional orders of vaccine bulk and vaccine doses of either liquid frozen or freeze dried IMVAMUNE. So, the company expects additional orders over time, initially to replace the expired 20 million doses of liquid-frozen IMVAMUNE in the SNS, and over time to fulfill

the stated goal of sufficient non-replicating smallpox vaccine to protect 66 million people, corresponding to 132 million doses.

Three months post the initial contract award, the first option of USD 37 million was exercised (December 2017). This option will fund a Phase 3 safety lot consistency study in 1,110 healthy volunteers that will be initiated in H1 2019 and support the regulatory activities to gain approval of the freeze-dried formulation. The majority of this first option will be revenue recognized during 2019 and 2020 while conducting the Phase 3 study.

We have already produced and revenue recognized bulk vaccine worth of USD 233 million from orders received in 2015 and 2016, and during 2018 and 2019, we will produce and revenue recognize the additional USD 100 million vaccine bulk order received in 2017.

The construction of a new fill/finish facility at our existing manufacturing site in Denmark is progressing as planned. The production of freeze dried IMVAMUNE will be initiated in 2021 triggering the options of USD 299 million under the contract and it is projected that the production of the 13 million IMVAMUNE doses will be finalized in 2023.

MVA-BN RSV
MVA-BN RSV is our product candidate for the prevention of respiratory syncytial virus (RSV). The vaccine has been designed to target five different RSV proteins to ensure a broad immune response against both RSV subtypes (A & B). The vaccine candidate has been designed to mimic the immune response observed following a natural response to an RSV infection that is believed to induce protection for at least a year.

In 2017, the Company reported data from a Phase 2 study that investigated various schedules and doses of the MVA-BN RSV vaccine in 421 subjects aged 55 and older. This study demonstrated that the vaccine induced robust antibody and T cell responses against RSV with only a single booster vaccination and these responses remained elevated for an entire RSV season (6 months post vaccination).

As per the original design, the study was extended with 88 subjects being re-enrolled one year later, after having received a single vaccination with either a low or high dose of the vaccine in the Phase 2 study. These subjects were further boosted with the same vaccine dose; mimicking an annual booster regime.

The extension study demonstrated that in at least 60% of the subjects the broad antibody responses against RSV were durable and remained elevated compared to baseline, one year after receiving a single booster vaccination. Similarly, the T cell responses against RSV also remained elevated one year post vaccination in half of the subjects re-enrolled, depending on which of the RSV proteins encoded in the vaccine were evaluated (ranging from 27% to 72% of the subjects). Following a further annual booster with MVA-BN RSV, there was a rapid and significant increase in serum antibody responses, including neutralizing antibodies against both RSV subtypes (A & B) and total IgG and IgA antibodies against RSV. This effect was most notable in subjects with the weakest immunity at the baseline (week 56) prior to the second vaccination. Compared to pre-vaccination levels one year before, the boost effect was in the range of a 1.5 to 3-fold increase depending upon the antibody parameter, however the increases were in the range of 1.3 to 2-fold when compared to the week 56 levels (baseline for the annual boost), as the antibody responses remained elevated one year post the first vaccination. These were also supported by a significant boost in the mucosal IgA responses measured from nasal swabs that has been reported to be an important correlate of protection against RSV. The T cell responses against all five RSV encoded proteins were also significantly boosted following the annual vaccination, but again was most prevalent in subjects with the weakest immunity prior to the second vaccination.

These findings support an annual vaccination strategy with MVA-BN RSV and will be key in discussing the design of the Phase 3 study with the FDA later in 2018.

In parallel to the current clinical development, we are exploring the feasibility of a novel placebo-controlled human challenge study. We have partnered with a global contract research organization to develop a new and differentiated approach to the human RSV challenge model that will potentially allow us to more accurately assess the protective benefits of the vaccine. The RSV strain is currently being characterized with the aim to determine the feasibility of conducting a human challenge trial later in 2018.

CV301
CV301 is an active immunotherapy candidate that targets two tumor-associated antigens, CEA and MUC-1, long known to be overexpressed in most solid tumors. Preclinical data shows that antigen specific vaccination results in T cell infiltration into areas of antigen expression and upregulation of PD-L1 on antigen expressing tumor cells. The upregulation of PD-L1 is a marker indicating the tumor is under attack from T-cells, presenting an opportunity

for a greater response in patients who might otherwise not benefit from treatment with a checkpoint inhibitor alone.

CV301 is in the unique position to potentially demonstrate a broad proof of concept not only in settings where checkpoints have set a new standard of survival, but also in cancers, such as micro-satellite stable colorectal, where checkpoint inhibitors have yet to demonstrate single-agent activity and may require combinations with other agents. The CV301 strategy has been adapted during 2018 focusing our resources on smaller studies, some with adaptive designs, where there remain options to demonstrate rapid proof of concept of the combination with checkpoint inhibition.

The first of these studies, an investigator-led Phase 2 study of CV301, was recently initiated in patients with metastatic colorectal cancer. The study is evaluating the combination therapy of CV301 and Bristol Myers Squibb's checkpoint inhibitor, nivolumab (OPDIVO®). This study will enroll 78 patients with resectable oligometastatic microsatellite stable disease, providing an excellent opportunity to evaluate both clinical endpoints and biologic impact of standard perioperative chemotherapy, plus vaccine and checkpoint inhibition. The study will evaluate multiple short-term endpoints, including Overall Response Rate (ORR) and Progression-Free Survival (PFS).

A second investigator-led combination study of CV301 and durvalumab (IMFINZI®) from AstraZeneca is planned for initiation later in 2018 in colorectal and pancreatic cancer. In each disease setting, the study will enroll 26 patients with metastatic disease who have had stable disease, or on frontline chemotherapy and are transitioning to "maintenance chemotherapy". In addition to that maintenance therapy, they will also receive vaccine plus checkpoint inhibitor. This study will also evaluate multiple endpoints, including ORR and PFS.

The third study is Bavarian Nordic sponsored, and will evaluate the combination of CV301 and atezolizumab (TECENTRIQ®) from Roche in metastatic bladder cancer. The study will initially enroll 26 patients in two cohorts evaluating the combination therapy in either platinum-eligible, or platinum-refractory patients. This study was amended to include multiple efficacy thresholds, and will not enroll additional patients without early indications of activity (ORR and PFS).

In line with the revised CV301 strategy, the Company will not initiate a Phase 2 combination study of CV301 and pembrolizumab (KEYTRUDA®) in non-small cell lung cancer (NSCLC) as planned and will stop the Phase 1/1b study later this year after safety has been established. NSCLC is a highly competitive indication, in which the standard of care has changed every 3-6 months over the last 2 years. The competition in this population of patients makes recruitment in the trial difficult, and the rapidly changing standard of care likely impacts the trial readout, resulting in an uncertain pathway to approval. The results of the Phase 1 (12 patients) with CV301 and the Phase 1b combination (12-14 patients) with combination with nivolumab (OPDIVO®) or pembrolizumab (KEYTRUDA®) will be reported later this year.

BN-Brachyury

BN-Brachyury is a novel cancer immunotherapy candidate with potential to treat chordoma (a rare tumor in the bones of the skull base and spine, which is unique in that it universally expresses brachyury) as well as other metastatic cancers, including triple negative breast cancer, small-cell lung cancer, and NSCLC that are known to have high expression levels of brachyury. Brachyury is a transcription factor that is reported to play a key role in the metastasis and progression of tumors. Tumors that overexpress brachyury are believed to be highly resistant to standard therapies, including radiation and chemotherapy, and are associated with decreased survival rates.

A first-in-human study of an MVA-BN®-based brachyury vaccine in 38 patients, including 13 with chordoma, demonstrated the ability to generate brachyury specific CD4 and CD8 T-cells in the vast majority of the patients.

Currently, a Phase 1 open-label trial is ongoing in patients with metastatic or unresectable, locally advanced malignant solid tumors. Patients will receive two prime doses of MVA-BN Brachyury, followed by multiple booster doses with a brachyury encoded fowlpox-vaccine, collectively known as BN-Brachyury. The primary endpoint of the study is safety and tolerability, and secondary endpoints include immunological responses as measured by an increase in brachyury-specific T-cells and other tumor-associated antigens, as well as evidence of clinical benefit such as PFS and ORR.

Later in 2018, the Company plans to initiate a Phase 2 study that combines BN-Brachyury with radiation in patients with advanced chordoma. This study will be conducted in a two-stage design where early signals of efficacy (ORR) will be required prior to expanding enrollment. BN-Brachyury has obtained orphan drug status from the FDA for the treatment of chordoma. Orphan designation is granted to products in clinical development for use in rare diseases or conditions where no current therapy exists.

Additionally, through a multi-company collaboration agreement, a Phase 1/2 study combining BN-Brachyury with multiple combinations of experimental immune modulating candidates was initiated by the NCI in April 2018. The study, named QuEST (a Quick Efficacy Seeking Trial), will utilize sequential arms of combinations of immunotherapy, to offer a means to identify signals of activity, initially in patients with multiple solid tumors and expanding into men with metastatic castrate-resistant prostate cancer (mCRPC). The objective of the study will be to determine if there is clinical benefit to any of a set of 3 possible treatments for patients with mCRPC:

- BN-Brachyury + M7824 (bifunctional fusion protein consisting of an anti-PD-L1 and a TGF-beta trap from EMD Serono)
- BN-Brachyury + M7824 + ALT-803 (IL-15/IL-15R alpha superagonist complex from Altor Biosciences)
- BN-Brachyury + M7824 + ALT-803 + Epacadostat (IDO inhibitor from Incyte)

Broadening our immunotherapy strategy
Immunotherapy and the emergence of checkpoint inhibition has revolutionized cancer treatment and proven that immune cells, such as killer T cells, play an important and lifesaving role in battling cancer. While checkpoint inhibition blocks one of the mechanisms employed by tumors to evade the body's immune system, there are many other mechanisms utilized by tumors to create an immune suppressive microenvironment. This requires alternative and complementary approaches to improve the efficacy of cancer immunotherapy.

Our previously communicated immunotherapy strategy relies on a vaccine platform to stimulate killer T cells against tumor associated antigens supported by checkpoint inhibition. To gain potential proof of concept, three Phase 2 studies evaluating this approach have, or will be initiated, with CV301 later this year in colorectal, pancreatic and bladder cancer.

However, new research from the Company supports additional approaches that in preclinical studies have shown to be even more potent at inducing killer T cells, or other arms of the immune system and/or change the suppressive microenvironment of tumors creating a more inflamed tumor.

Intra-tumoral vaccination
Cytokines, Toll-like receptor (TLR) agonists, and Stimulator of interferon genes (STING) agonists are being actively investigated as agents to alter the immune-suppressive environment created within solid tumors. Our research has shown that direct intra-tumoral injection with MVA-BN based vaccines confers similar types of effects in the tumor microenvironment. To further investigate these exciting preclinical findings the Company plans to file an IND later this year and initiate a clinical study during first half of 2019 using CV301 in patients with solid tumors. This study will evaluate the safety and certain immune parameters of intra-tumoral vaccination, and together with additional preclinical activities, will inform the further development of the intra-tumoral vaccine platform, including the potential for next-generation constructs with improved activity.

Intravenous vaccination
As recently presented at the 2018 Annual Meeting of the American Association for Cancer Research (AACR), the Company has shown that intravenous administration of an MVA-BN based vaccine induced larger numbers of killer T cells with heightened killer activity against cancer cells, compared to our standard vaccination route. Another significant finding was that intravenous administration also induced immune stimulatory cytokines and activated another type of anti-tumor killer cells, the natural killer (NK) cells. NK cells are employed by the immune system to recognize and destroy virus infected, as well as tumor cells, especially if tumor cells are trying to escape the attack of the killer T cells. Thus, the two killer cell types, killer T cells and NK cells, work hand in hand in attacking and eradicating tumors. The responses were enhanced when the MVA-BN based vaccine also encoded the co-stimulatory molecule CD40 Ligand (L). During first half of 2019 the Company plans to initiate a clinical study to evaluate the safety and certain immune parameters following the intravenous application of BN-Brachyury in cancer patients. This initial study will inform the development of a novel MVA-BN based cancer vaccine that also encodes CD40L targeting breast cancer.

Other developments
In May, the Company announced the appointment of Henrik Juuel as Executive Vice President and Chief Financial Officer (CFO). Mr. Juuel will join Bavarian Nordic in the fourth quarter 2018 from Orexo AB, where he is currently the CFO. Prior to his tenure at Orexo, Mr. Juuel held senior positions at several large and diverse organizations including Group CFO of Virgin Mobile (Central and Eastern Europe), CFO of GN ReSound, and CFO of NNE Pharmaplan. Mr. 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. Mr. Juuel succeeds Ole Larsen, who departed the Company in May.

Financial calendar 2018 and 2019
The 2019 dates for announcement of the Company's financial reports and the annual general meeting have now been determined, and planned future reporting date are as follows:

November 9, 2018	Third quarterly report (Q3) for the nine-month period ended September 30, 2018
March 21, 2019	2018 Annual Report
April 24, 2019	Annual General Meeting *
May 22, 2019	First quarterly report (Q1) for the three-month period ended 31 March 2019
August 15, 2019	Half-year report (Q2) for the six-month period ended 30 June 2019
November 7, 2019	Third quarterly report (Q3) for the nine-month period ended 30 September 2019

** Pursuant to Article 12 of the Articles of Association, shareholders who wish to submit a request for proposals for consideration at the annual general meeting must lodge this with the Company no later than Thursday, March 14, 2019.*

CONSOLIDATED KEY FIGURES (UNAUDITED)

DKK thousand	1/4 - 30/6 2018	1/4 - 30/6 2017	1/1 - 30/6 2018	1/1 - 30/6 2017	1/1-31/12 2017
Income statements					
Revenue	86,340	397,276	97,634	594,972	1,370,151
Production costs	45,655	127,072	64,761	177,207	290,617
Research and development costs	88,099	111,578	204,733	211,877	518,405
Distribution costs	8,965	11,220	18,472	19,906	39,878
Administrative costs	50,640	45,057	89,558	86,752	168,057
Income before interest and taxes (EBIT)	(107,019)	102,349	(279,890)	99,230	353,194
Financial items, net	(2,169)	(43,855)	(10,983)	(46,988)	(50,914)
Income before company tax	(109,188)	58,494	(290,873)	52,242	302,280
Net profit for the period	(109,814)	46,293	(292,259)	40,242	181,343
Balance sheet					
Total non-current assets			445,467	508,209	382,186
Total current assets			2,710,095	2,559,990	2,770,485
Total assets			3,155,562	3,068,199	3,152,671
Equity			2,249,831	2,122,605	2,506,297
Non-current liabilities			398,685	53,599	399,760
Current liabilities			507,046	891,995	246,614
Cash flow statements					
Securities, cash and cash equivalents			2,479,785	2,312,465	2,583,718
Cash flow from operating activities			(311,438)	468,275	216,065
Cash flow from investment activities			(89,911)	(933,058)	(1,345,209)
- Investment in intangible assets			(2,729)	(11,296)	(22,341)
- Investment in property, plant and equipment			(80,304)	(8,103)	(56,357)
- Net investment in securities			(6,748)	(913,489)	(1,266,598)
Cash flow from financing activities			292,644	4,460	613,441
Financial Ratios (DKK) [1)]					
Earnings (basic) per share of DKK 10			(9.1)	1.3	5.7
Net asset value per share			69.8	67.5	77.7
Share price at period-end			188	384	224
Share price/Net asset value per share			2.7	5.7	2.9
Number of outstanding shares at period-end			32,245	31,469	32,245
Equity share			71%	69%	79%
Number of employees, converted to full-time, at period-end			428	445	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.

Notes
(stated in the end of this document):

1. Significant accounting policies
2. Significant accounting estimates, assumptions and uncertainties
3. Revenue
4. Production costs
5. Research and development costs
6. Financial income
7. Financial expenses
8. Inventories
9. Other receivables
10. Debt to credit institutions
11. Prepayment from customers
12. Other liabilities
13. Deferred tax asset
14. Transferred financial assets that are not derecognized
15. Financial instruments
16. Incentive plans
17. Significant changes in contingent liabilities and other contractual obligations
18. Significant events after the balance sheet date
19. Approval of the unaudited condensed consolidated interim financial statements

FINANCIAL STATEMENT FOR THE PERIOD JANUARY 1 – JUNE 30, 2018

Financial statements are un-audited. Comparison figures for the same period 2017 are stated in parentheses.

- Revenue generated for the six months ending June 30, 2018 was DKK 98 million (DKK 595 million).
- The income before interest and tax (EBIT) was a loss of DKK 280 million (profit of DKK 99 million).
- As of June 30, 2018, the Group's cash preparedness was DKK 2,211 million (DKK 2,604 million as of December 31, 2017), including unutilized credit lines of DKK 20 million (DKK 20 million as of December 31, 2017).

Revenue generated for the six months ending June 30, 2018 was DKK 98 million (DKK 595 million). Revenue was composed of DKK 37 million (DKK 31 million) from the sale of IMVAMUNE final drug product and DKK 61 million (DKK 42 million) from contract work. In first half year of 2017 revenue from the sale of IMVAMUNE bulk drug substance to U.S. Government amounted to DKK 522 million. Revenue reported for the three months ended June 30, 2018 was DKK 86 million (DKK 397 million).

The production costs totaled DKK 65 million (DKK 177 million). Costs related directly to revenue amounted to DKK 47 million (DKK 160 million). Other production costs totaled DKK 18 million (DKK 17 million). In the second quarter of 2018, production costs were DKK 46 million (DKK 127 million).

Research and development costs totaled DKK 205 million (DKK 212 million). As the IMVAMUNE development asset was fully amortized in 2017, no prior-year IMVAMUNE development costs have been expensed in the first six months of 2018. In the first six months of 2017 expensing of prior-year IMVAMUNE development costs amounted to DKK 43 million.

Distribution costs totaled DKK 18 million (DKK 20 million) and administrative costs totaled DKK 90 million (DKK 87 million).

The income before interest and tax (EBIT) was a loss of DKK 280 million (profit of DKK 99 million).

Financial items totaled a net expense of DKK 11 million (net expense of DKK 47 million). Net income from securities amounted to DKK 3 million (DKK 4 million), net loss on derivative financial instruments amounted to DKK 2 million (net gain of DKK 13 million), interest expenses on debt amounted to DKK 7 million (DKK 2 million) and negative exchange rate adjustments amounted to DKK 5 million (DKK 62 million).

Income before company tax was a loss of DKK 291 million (profit of DKK 52 million).

Tax on income was DKK 1 million (DKK 12 million). The Danish tax loss carry forward related to the result for the first six months of 2018 has been fully written-down. The deferred tax asset remains at DKK 0 million. The Company retains the right to use the tax loss carry forward (tax value DKK 290 million) and the other tax assets (tax value DKK 40 million) that has been written-down. The development in the deferred tax asset is shown in note 13.

The Danish tax authority ("SKAT") has notified the Company that SKAT is proposing an adjustment of the allocation of the PROSTVAC development costs between Bavarian Nordic A/S and its U.S. subsidiary, Bavarian Nordic, Inc. between 2012-2016. The Company is in dialogue with SKAT regarding the proposal.

For the first six months of 2018, Bavarian Nordic reported a net loss of DKK 292 million (net profit of DKK 40 million).

Securities, cash and cash equivalents decreased by DKK 104 million compared to December 31, 2017. During the first six months of 2018 DKK 80 million was spent on investments in property, plant and equipment, mainly related to the construction of the new fill/finish manufacturing line in Kvistgaard.

The Company has entered into transactions that transfer ownership of securities to a counterparty, while the Company retains the risks associated with the holding of the securities (repo transactions). The securities remain in the balance sheet, and the security lending is accounted for as loans received against collateral and recognized as debt to credit institutions. As per June 30, 2018 that security lending amounts to DKK 288 million. See further details in note 14.

As of June 30, 2018, the Group's cash preparedness was DKK 2,211 million (DKK 2,604 million as of December 31, 2017):

DKK million	30/6 2018	30/6 2017	31/12 2017
Securities	2,300	1,954	2,301
Cash and cash equivalents	180	358	283
Securites, cash and cash equivalents	2,480	2,312	2,584
Unutilized credit facility	20	391	20
Repo transactions loan	(288)	-	-
Cash preparedness	**2,211**	**2,703**	**2,604**
European Investment Bank (bullet loan with expiry in 2022)	372	-	372

Cash flow spend on operating activities was DKK 311 million (contribution of DKK 468 million), mainly driven by the net loss of DKK 292 million (net gain of DKK 40 million). Cash flow spend on investment activities was DKK 90 million (DKK 933 million), mainly for the construction of the new fill/finish manufacturing line. In the first six months of 2017 DKK 913 million was spend on investment in securities. Cash flow from financing activities contributed with DKK 293 million (DKK 4 million) primarily from the concluded repo transactions. The net change in cash and cash equivalents was DKK -109 million (DKK -460 million).

The Group's equity as of June 30, 2018 stood at DKK 2,250 million (DKK 2,506 million as of December 31, 2017).

Financial expectations
Bavarian Nordic maintains its financial expectations for 2018 as announced March 12, 2018. The Company still expects revenues of approximately DKK 500 million for the full year and a loss before interest and tax (EBIT) of approximately DKK 385 million- The expected cash preparedness at year-end was recently upgraded from approximately DKK 1,850 million to approximately DKK 2,100 million after obtaining an unsecured loan facility of EUR 30 million from the European Investment Bank.

The financial expectations are based on an exchange rate of DKK 6.60 per 1.00 USD.

Significant risks and uncertainties
Bavarian Nordic faces a number of risks and uncertainties, common for the biotech industry. These relate to operations, research and development, manufacturing, commercial and financial activities. For further information about risks and uncertainties which Bavarian Nordic faces, refer to page 48 "Risk Management" in the 2017 annual report.

Since the publication of the 2017 annual report, the overall risk profile of the Company remains largely unchanged.

STATEMENT FROM THE BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

The Board of Directors and Corporate Management have, today reviewed and approved the Bavarian Nordic A/S interim report for the period January 1 to June 30, 2018.

The interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies, including those of Nasdaq Copenhagen.

In our opinion, the interim report gives a true and fair view of the group's assets and liabilities and financial position as of June 30, 2018, and the results of the group's activities and cash flows for the period January 1 to June 30, 2018.

In our opinion, the management's review provides a true and fair description of the development in the group's activities and financial affairs, the results for the period and the group's financial position as a whole as well as a description of the most important risks and uncertainty factors faced by the group.

Kvistgaard, August 16, 2018

Corporate Management:

Paul John Chaplin
President and CEO

Board of Directors:

Gerard W.M. van Odijk *Chairman of the Board*	Anders Gersel Pedersen *Deputy Chairman*	Erik Gregers Hansen
Peter H. Kürstein-Jensen	Frank A.G.M. Verwiel	Elizabeth McKee Anderson

FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Income Statements for the Periods Ended June 30, 2018 and 2017

DKK thousand	Note	1/4 - 30/6 2018	1/4 - 30/6 2017	1/1 - 30/6 2018	1/1 - 30/6 2017	1/1-31/12 2017
Revenue	3	86,340	397,276	97,634	594,972	1,370,151
Production costs	4	45,655	127,072	64,761	177,207	290,617
Gross profit		**40,685**	**270,204**	**32,873**	**417,765**	**1,079,534**
Research and development costs	5	88,099	111,578	204,733	211,877	518,405
Distribution costs		8,965	11,220	18,472	19,906	39,878
Administrative costs		50,640	45,057	89,558	86,752	168,057
Total operating costs		**147,704**	**167,855**	**312,763**	**318,535**	**726,340**
Income before interest and tax (EBIT)		**(107,019)**	**102,349**	**(279,890)**	**99,230**	**353,194**
Financial income	6	5,428	7,746	11,022	21,923	56,426
Financial expenses	7	7,597	51,601	22,005	68,911	107,340
Income before company tax		**(109,188)**	**58,494**	**(290,873)**	**52,242**	**302,280**
Tax on income for the period		626	12,201	1,386	12,000	120,937
Net profit for the period		**(109,814)**	**46,293**	**(292,259)**	**40,242**	**181,343**
Earnings per share (EPS) - DKK						
Basic earnings per share of DKK 10		(3.4)	1.5	(9.1)	1.3	5.7
Diluted earnings per share of DKK 10		(3.4)	1.5	(9.1)	1.3	5.7

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Periods Ended June 30, 2018 and 2017

DKK thousand	1/4 - 30/6 2018	1/4 - 30/6 2017	1/1 - 30/6 2018	1/1 - 30/6 2017	1/1-31/12 2017
Net profit for the period	**(109,814)**	**46,293**	**(292,259)**	**40,242**	**181,343**
Items that might be reclassified to the income statement:					
Exchange rate adjustments on translating foreign operations	12,058	26,309	12,128	32,020	50,896
Fair value of financial instruments entered into to hedge future cash flows	(255)	-	(111)	370	130
Tax on other comprehensive income	-	(41)	-	(81)	(57)
Other comprehensive income after tax	**11,803**	**26,268**	**12,017**	**32,309**	**50,969**
Total comprehensive income	**(98,011)**	**72,561**	**(280,242)**	**72,551**	**232,312**

Unaudited Condensed Consolidated Statements of Financial Position - Assets as of June 30, 2018 and 2017 and December 31, 2017

DKK thousand	Note	30/6 2018	30/6 2017	31/12 2017
Assets				
Software		26,190	8,433	27,288
IMVAMUNE development project		-	21,842	-
Intangible assets in progress		3,910	19,625	5,704
Intangible assets		**30,100**	**49,900**	**32,992**
Land and buildings		187,518	201,153	194,155
Leasehold improvements		1,245	1,197	1,329
Plant and machinery		58,081	54,607	56,986
Fixtures and fittings, other plant and equipment		20,529	22,280	20,531
Assets under construction		146,648	35,436	74,977
Property, plant and equipment		**414,021**	**314,673**	**347,978**
Other receivables		1,346	1,473	1,216
Financial assets		**1,346**	**1,473**	**1,216**
Deferred tax assets	13	**-**	**142,163**	**-**
Total non-current assets		**445,467**	**508,209**	**382,186**
Development projects for sale		**22,200**	**70,069**	**22,200**
Inventories	8	**139,777**	**152,632**	**111,847**
Trade receivables		30,883	4,411	19,396
Tax receivables		5,396	-	5,396
Other receivables	9	19,961	15,421	22,916
Prepayments		12,093	4,992	5,012
Receivables		**68,333**	**24,824**	**52,720**
Securities		2,300,234	1,954,331	2,301,197
Cash and cash equivalents		179,551	358,134	282,521
Securites, cash and cash equivalents		**2,479,785**	**2,312,465**	**2,583,718**
Total current assets		**2,710,095**	**2,559,990**	**2,770,485**
Total assets		**3,155,562**	**3,068,199**	**3,152,671**

Unaudited Condensed Consolidated Statements of Financial Position - Equity and Liabilities as of June 30, 2018 and 2017 and December 31, 2017

DKK thousand	Note	30/6 2018	30/6 2017	31/12 2017
Equity and liabilities				
Share capital		323,106	314,693	322,451
Treasury shares		(233)	(233)	(233)
Retained earnings		1,870,591	1,778,833	2,156,883
Other reserves		56,367	29,312	27,196
Equity		**2,249,831**	**2,122,605**	**2,506,297**
Provisions		-	24,949	-
Debt to credit institutions	10	398,685	28,650	399,760
Non-current liabilities		**398,685**	**53,599**	**399,760**
Debt to credit institutions	10	290,481	2,136	2,152
Prepayment from customers	11	63,854	736,194	79,617
Trade payables		71,545	34,322	82,901
Company tax		82	2,723	139
Other liabilities	12	81,084	116,620	81,805
Current liabilities		**507,046**	**891,995**	**246,614**
Total liabilities		**905,731**	**945,594**	**646,374**
Total equity and liabilities		**3,155,562**	**3,068,199**	**3,152,671**

Unaudited Condensed Consolidated Statements of Cash Flow for the Periods Ended June 30, 2018 and 2017 and December 31, 2017

DKK thousand	1/1 - 30/6 2018	1/1 - 30/6 2017	1/1-31/12 2017
Net profit for the period	**(292,259)**	**40,242**	**181,343**
Adjustment for non-cash items:			
Financial income	(11,022)	(21,923)	(56,426)
Financial expenses	22,005	68,911	107,340
Tax on income for the period	1,386	12,000	120,937
Depreciation, amortization and impairment losses	19,879	19,841	37,529
Expensing (amortization) of IMVAMUNE development project	-	43,255	69,515
Share-based payment	18,559	29,246	26,797
Adjustment for other non-cash items	-	-	45,164
Changes in inventories	(27,930)	(5,649)	35,136
Changes in receivables	(20,222)	134,403	114,088
Changes in current liabilities	(28,008)	167,126	(462,262)
Cash flow from operations (operating activities)	**(317,612)**	**487,452**	**219,161**
Received financial income	15,204	9,852	19,707
Paid financial expenses	(7,586)	(24,797)	(16,498)
Paid company taxes	(1,444)	(4,232)	(6,305)
Cash flow from operating activities	**(311,438)**	**468,275**	**216,065**
Investments in and additions to intangible assets	(2,729)	(11,296)	(22,341)
Investments in property, plant and equipment	(80,304)	(8,103)	(56,357)
Investments in/disposal of financial assets	(130)	(170)	87
Investments in securities	(790,356)	(1,154,058)	(2,162,790)
Disposal of securities	783,608	240,569	896,192
Cash flow from investment activities	**(89,911)**	**(933,058)**	**(1,345,209)**
Payment on loans	(1,075)	(1,064)	(2,133)
Proceeds from loans	288,329	-	372,195
Proceeds from warrant programs exercised	5,415	9,838	40,858
Proceeds from private placement	-	-	207,482
Cost related to issue of new shares	(25)	(60)	(707)
Purchase of treasury shares	-	(4,254)	(4,254)
Cash flow from financing activities	**292,644**	**4,460**	**613,441**
Cash flow of the period	**(108,705)**	**(460,323)**	**(515,703)**
Cash as of 1 January	282,521	853,596	853,596
Currency adjustments 1 January	5,735	(35,139)	(55,372)
Cash end of period	**179,551**	**358,134**	**282,521**

Unaudited Condensed Consolidated Statements of Changes in Equity for the Periods June 30, 2018 and 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, 2018	**322,451**	**(233)**	**2,156,883**	**(37,502)**	**(129)**	**64,827**	**2,506,297**
Comprehensive income for the period							
Net profit	-	-	(292,259)	-	-	-	(292,259)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	12,128	-	-	12,128
Fair value of financial instruments	-	-	-	-	(111)	-	(111)
Total comprehensive income for the period	**-**	**-**	**(292,259)**	**12,128**	**(111)**	**-**	**(280,242)**
Transactions with owners							
Share-based payment	-	-	-	-	-	18,386	18,386
Warrant program exercised	655	-	5,945	-	-	(1,185)	5,415
Warrant program expired	-	-	47	-	-	(47)	-
Cost related to issue of new shares	-	-	(25)	-	-	-	(25)
Total transactions with owners	**655**	**-**	**5,967**	**-**	**-**	**17,154**	**23,776**
Equity as of June 30, 2018	**323,106**	**(233)**	**1,870,591**	**(25,374)**	**(240)**	**81,981**	**2,249,831**

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 period							
Net profit	-	-	40,242	-	-	-	40,242
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	32,020	-	-	32,020
Fair value of financial instruments	-	-	-	-	289	-	289
Total comprehensive income for the period	**-**	**-**	**40,242**	**32,020**	**289**	**-**	**72,551**
Transactions with owners							
Share-based payment	-	-	-	-	-	13,394	13,394
Warrant program exercised	1,154	-	10,565	-	-	(1,881)	9,838
Warrant program expired	-	-	320	-	-	(320)	-
Cost related to issue of new shares	-	-	(60)	-	-	-	(60)
Purchase of treasury shares	-	(122)	(4,132)	-	-	-	(4,254)
Tax related to items recognized directly in equity	-	-	-	-	-	13,899	13,899
Total transactions with owners	**1,154**	**(122)**	**6,693**	**-**	**-**	**25,092**	**32,817**
Equity as of June 30, 2017	**314,693**	**(233)**	**1,778,833**	**(56,378)**	**87**	**85,603**	**2,122,605**

NOTES

1. Significant accounting policies

The interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU and the additional Danish requirements for submission of interim reports for companies listed on Nasdaq Copenhagen. The interim report has not been audited or reviewed by the Company's auditors.

The interim financial statements are presented in Danish Kroner (DKK), which is considered the primary currency of the Group's activities and the functional currency of the parent company.

The accounting policies used in the interim financial statements are consistent with those used in the consolidated financial statements for 2017 and in accordance with the recognition and measurement policies in the International Financial Reporting Standards (IFRS) as adopted by EU.

The implementation of IFRS 9 "Financial Instruments" has not changed the classification and measurement of financial instruments and IFRS 15 "Revenue from Contracts with Customers" has not changed revenue recognition; see the detailed description in the consolidated financial statements for 2017 note 1.

2. Significant accounting estimates, assumptions and uncertainties

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

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

Further to the significant accounting estimates, assumptions and uncertainties, which are stated in the Annual Report 2017, the Management has not changed significant estimates and judgments regarding recognition and measurement, except that Management do not expect Bavarian Nordic, Inc. to be able to repay the intercompany loan in the foreseeable future. The loan is fully written-down in 2017 and from January 1, 2018 the loan is seen as part of the net investment in the US subsidiary. Changes in exchange rates related to the intercompany loan since January 1, 2018 are therefore recognized in other comprehensive income.

DKK thousand	1/4 - 30/6 2018	1/4 - 30/6 2017	1/1 - 30/6 2018	1/1 - 30/6 2017	1/1-31/12 2017
3. Revenue					
IMVAMUNE sale	32,545	368,042	36,925	553,391	874,307
Sale of goods	32,545	368,042	36,925	553,391	874,307
Upfront payment, PROSTVAC	-	-	-	-	398,538
Contract work	53,795	29,234	60,709	41,581	97,306
Sale of services	53,795	29,234	60,709	41,581	495,844
Revenue	**86,340**	**397,276**	**97,634**	**594,972**	**1,370,151**
4. Production costs					
Cost of goods sold, IMVAMUNE sale	7,252	93,742	7,419	136,253	221,210
Contract costs	34,491	17,229	39,021	24,016	61,772
Other production costs	3,912	16,101	18,321	16,938	7,635
Production costs	**45,655**	**127,072**	**64,761**	**177,207**	**290,617**
5. Research and development costs					
Research and development costs occured in the period	122,590	103,035	243,754	196,784	519,226
Of which:					
Contract costs recognized as production costs	(34,491)	(17,229)	(39,021)	(24,016)	(61,772)
Capitalized development costs	-	(2,429)	-	(4,146)	(8,564)
	88,099	83,377	204,733	168,622	448,890
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	-	28,201	-	43,255	69,515
Research and development costs	**88,099**	**111,578**	**204,733**	**211,877**	**518,405**
6. Financial income					
Financial income from bank and deposit contracts	210	24	335	53	644
Interest income from financial assets not measured at fair value through the income statement	210	24	335	53	644
Financial income from securities	5,218	4,883	10,687	9,150	20,817
Adjustment of net present value of provisions	-	-	-	-	22,245
Net gains on derivative financial instruments at fair value through the income statement (held for trading)	-	2,839	-	12,720	12,720
Financial income	**5,428**	**7,746**	**11,022**	**21,923**	**56,426**

DKK thousand	1/4 - 30/6 2018	1/4 - 30/6 2017	1/1 - 30/6 2018	1/1 - 30/6 2017	1/1-31/12 2017
7. Financial expenses					
Interest expenses on debt	3.377	887	7.054	1.707	5.678
Interest expenses on financial liabilities not measured at fair value through the income statement	3.377	887	7.054	1.707	5.678
Fair value adjustments on securities	2.389	3.480	8.308	5.723	12.319
Net loss on derivative financial instruments at fair value through the income statement	314	-	1.825	-	-
Net foreign exchange losses	1.517	47.234	4.818	61.481	89.343
Financial expenses	**7.597**	**51.601**	**22.005**	**68.911**	**107.340**

DKK thousand	30/6 2018	30/6 2017	31/12 2017
8. Inventories			
Raw materials and supply materials	30.363	32.695	31.805
Work in progress	172.523	250.651	129.607
Manufactured goods and commodities	1.797	10.477	3.140
Write-down on inventory	(64.906)	(141.191)	(52.705)
Inventories	**139.777**	**152.632**	**111.847**
Write-down on inventory 1 January	(52.705)	(110.697)	(110.697)
Write-down during the period	(12.201)	(30.494)	(23.199)
Use of write-down	-	-	81.191
Write-down end of period	**(64.906)**	**(141.191)**	**(52.705)**
9. Other receivables			
Receivable VAT and duties	12.231	3.986	10.715
Financial instruments at fair value	74	112	-
Accrued interest	7.656	11.323	12.201
Other receivables	**19.961**	**15.421**	**22.916**
10. Debt to credit institutions			
Mortgage	28.642	30.786	29.717
European Investment Bank (loan in DKK)	372.195	-	372.195
Security lending (repo transactions)	288.329	-	-
Debt to credit institutions	**689.166**	**30.786**	**401.912**
11. Prepayment from customers			
Prepayments from customers as of January 1	79.617	530.645	530.645
Prepayments received during the period	14.411	637.566	704.813
Recognized as income during the period	(30.174)	(432.017)	(1.155.841)
Prepayments from customers end of period	**63.854**	**736.194**	**79.617**
12. Other liabilities			
Financial instruments at fair value	269	-	129
Liability relating to phantom shares	1.607	18.107	2.723
Payable salaries, holiday accrual etc.	59.185	55.442	59.960
Deposit and prepaid rent from sub-tenants	1.777	-	1.640
Other accrued costs	18.246	43.071	17.353
Other liabilities	**81.084**	**116.620**	**81.805**

13. Deferred tax asset

DKK thousand	January 1, 2018	Recognized in the income statement	Recognized in equity	June 30, 2018
Intangible assets	5,366	(831)	-	4,535
Property, plant and equipment	6,602	4,939	-	11,541
Development projects for sale	17,420	-	-	17,420
Financial instruments	28	-	24	52
Share-based payment	10,441	1,888	(6,159)	6,170
Tax losses carried forward	241,859	48,187	-	290,046
Write down - tax losses carried forward	(281,716)	(54,183)	6,135	(329,764)
Recognized deferred tax assets	**-**	**-**	**-**	**-**

14. Transferred financial assets that are not derecognized

The Company has entered into transactions that transfer ownership of securities to a counterparty, while the Company retains the risks associated with the holding of the securities. If the Company retains all risks, the securities remain in the balance sheet, and the transactions are accounted for as loans received against collateral. Such transactions are repo transactions and securities lending. The transactions involve selling the securities to be repurchased at a fixed price at a later date. Counterparties are entitled to sell the securities or deposit them as collateral for loans.

DKK thousand	30/6 2018	30/6 2017	31/12 2017
Carrying amount of transferred securities	288,205	-	-
Carrying amount of associated liabilities (repo transactions)	(288,329)	-	-
Net position	**(124)**	**-**	**-**

15. Financial instruments

Method and assumption to determine fair value
The Group has financial instruments measured at fair value at level 1 and level 2.

Securities (level 1)
The portfolio of publicly traded government bonds and publicly traded mortgage bonds is valued at listed prices and price quotas.

Derivative financial instruments (level 2)
Currency forward contracts, currency option contracts and currency swap contracts are valued according to generally accepted valuation methods based on relevant observable swap curves and exchange rates.

Fair value hierarchy for financial instruments measured at fair value

As of June 30, 2018

DKK thousand	Level 1	Level 2	Total
Securities	2,300,234	-	2,300,234
Derivative financial instruments at fair value through the income statement	-	74	74
Financial assets measured at fair value through the income statement	**2,300,234**	**74**	**2,300,308**
Derivative financial instruments to hedge future cash flow (interest)	-	(240)	(240)
Financial assets/liabilities used as hedging instruments	**-**	**(240)**	**(240)**
Derivative financial instruments at fair value through the income statement	-	(29)	(29)
Security lending (repo transactions)	(288,329)	-	(288,329)
Liability relating to phantom shares	-	(1,607)	(1,607)
Financial liabilities measured at fair value through the income statement	**(288,329)**	**(1,636)**	**(289,965)**

As of December 31, 2017

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 assets/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)**

16. Incentive plans

Outstanding warrants as of June 30, 2018

	Outstanding as of January 1	Addition during the period	Options exercised	Annulled	Terminated	Trans-ferred	Outstanding as of June 30
Board of Directors	20,000	-	(20,000)	-	-	-	-
Corporate Management	375,770	-	(30,000)	(29,610)	-	(111,319)	204,841
Other Group Management	103,877	-	-	-	-	-	103,877
Other employees	842,572	-	(4,500)	(12,706)	-	(26,470)	798,896
Retired employees	117,463	-	(11,000)	-	(2,900)	137,789	241,352
Total	**1,459,682**	**-**	**(65,500)**	**(42,316)**	**(2,900)**	**-**	**1,348,966**
Weighted average exercise price	**266**	**-**	**83**	**287**	**74**	**-**	**275**
Weighted average share price at exercise	**-**	**-**	**200**	**-**	**-**	**-**	**-**

Numbers of warrants which can be exercised as of June 30, 2018	250,000
at a weighted average exercise price of DKK	131

The total recognized cost of the warrant programs was DKK 16.1 million in the first six months of 2018 (DKK 10.1 million).

Specification of parameters for Black-Scholes model

DKK	Dec 2013	Aug 2014	Dec 2015	Dec 2016	Jul 2017	Nov 2017
Average share price	82.00	117.50	334.00	222.50	383.50	259.50
Average exercise price at grant	96.50	131.40	366.85	260.20	430.45	303.03
Expected volatility rate	35.4%	39.7%	53.8%	44.6%	44.1%	52.4%
Expected life (years)	3.3	3.3	3.3	3.0	3.0	3.0
Expected dividend per share	-	-	-	-	-	-
Risk-free interest rate p.a.	0.74%	0.63%	0.25%	-0.48%	-0.46%	-0.55%
Fair value at grant [1)]	17	29	115	54	98	80

The expected volatility is based on the historical volatility.

[1)] Fair value of each warrant at grant applying the Black-Scholes model.

17. Significant changes in contingent liabilities and other contractual obligations
No significant changes in contingent liabilities and other contractual obligations have occurred since December 31, 2017 except for the Danish tax audit regarding allocation of the PROSTVAC development costs between Bavarian Nordic A/S and its U.S. subsidiary, Bavarian Nordic, Inc. between 2012-2016. The Company is in dialogue with the Danish tax authority ("SKAT") regarding the proposal.

18. Significant events after the balance sheet date
On August 9, 2018, the Company announced the securing of a loan facility of EUR 30 million from the European Investment Bank (EIB), the long-term lending institution of the European Union owned by its Member States. The loan facility will support

Company's investments into the new fill-finish manufacturing facility, which is currently under construction, and which is expected to be operational in 2021.

On August 8, 2018, the Company announced positive data from the extension study of its Phase 2 study investigating the safety and immune responses of its universal RSV vaccine, MVA-BN® RSV in an older adult population.

Except as noted above, there have been no significant events between June 30, 2018 and the date of approval of the Interim Results for the first half year of 2018.

19. Approval of the unaudited condensed consolidated interim financial statements

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors and Corporate Management and authorized for issue on August 16, 2018.