Interim Financial Report

for the Period January 1 to March 31, 2016

Bavarian Nordic A/S
Hejreskovvej 10A
DK-3490 Kvistgaard
Denmark
CVR-No. DK 16 27 11 87

Management's Review

Financial Statement for the Period January 1 – March 31, 2016

Financial statements are un-audited. Comparison figures for the same period 2015 are stated in parentheses.

Revenue generated for the three months ending March 31, 2016 was DKK 23 million (DKK 235 million). Revenue was generated from the sale of IMVAMUNE, DKK 8 million (DKK 65 million), and contract work, DKK 15 million (DKK 26 million). As previously announced manufacturing and release of commercial products will primarily occur later in 2016 and thus more than 90% of the year's revenue is expected to be recognized in the second half of 2016.

The production costs totaled DKK 19 million (DKK 92 million). Costs related directly to revenue amounted to DKK 11 million (DKK 75 million). Other production costs totaled DKK 8 million (DKK 17 million).

Research and development costs totaled DKK 104 million (DKK 119 million). The decrease is mainly related to the reorganization in March 2015 where the Californian organization was reduced by approx. 40 employees, mainly within research and development. In March 2015 severance payments related to terminated research employees amounted to DKK 12 million.

Distribution costs totaled DKK 7 million (DKK 17 million) and administrative costs totaled DKK 45 million (DKK 47 million). The decrease in distribution costs compared to 2015 is mainly related to the downsizing of the Californian organization in March 2015. The decrease in administrative costs is also related to the reorganization in California, partly offset by expenses related to the planned U.S. listing, which has been withdrawn.

The income before interest and tax (EBIT) was a loss of DKK 153 million (loss of DKK 40 million).

Financial items totaled a net expense of DKK 16 million (net income of DKK 103 million), DKK 21 million is related to negative exchange rate adjustments (positive exchange rate adjustments of DKK 98 million).

Income before company tax was a loss of DKK 169 million (income of DKK 63 million).

Tax on income was an income of DKK 40 million (expense of DKK 18 million), corresponding to an effective tax rate of 23.9%.

For the first three months of 2016, Bavarian Nordic reported a net loss of DKK 129 million (net profit of DKK 45 million), which is in line with the expectations as more than 90% of the year's revenue is expected to be recognized in the second half of 2016.

Accounts receivables have decreased by DKK 86 million compared to December 31, 2015 as the revenue in the first quarter of 2016 has been very low compared to the revenue in the fourth quarter of 2015.

Prepayments from customers have increased by DKK 63 million compared to December 31, 2015 as the Company received a DKK 61 million upfront payment in January related to the licensing and collaboration agreement entered in December 2015 with Janssen for MVA-BN® in the development of a therapeutic HPV vaccine.

As of March 31, 2016 the Group's cash preparedness was DKK 1,365 million (DKK 1,619 million), including unutilized credit lines of DKK 393 million (DKK 11 million). Cash flow spend on operating activities was DKK 67 million (contribution DKK 599 million). In first quarter 2015 the Company received prepayments from Janssen related to the Ebola supply agreement and upfront payments from Bristol-Myers Squibb related to the PROSTVAC option agreement. Cash flow spend on investment activities was DKK 120 million (DKK 14 million) primarily due to a net investment in securities of DKK 100 million. Cash flow from financing activities contributed with DKK 2 million (DKK 11 million) regarding proceeds from warrant exercise. The net change in cash and cash equivalents was DKK -185 million (DKK 596 million).

The Group's equity as of March 31, 2016 stood at DKK 1,212 million (DKK 1,269 million).

Financial Expectations

The Company maintains its 2016 full-year financial expectations with revenue at the level of DKK 1,000 million and a break-even result before interest and tax (EBIT).

On April 18, 2016 Bavarian Nordic completed a private placement of new shares, raising DKK 665 million in gross proceeds. As a consequence, the expected cash preparedness at the end of the year was raised from approximately DKK 1,300 million to approximately DKK 1,900 million. Cash preparedness includes cash, cash equivalents, investments in securities and the aggregate amount of undrawn credit lines.

Total research and development costs of approximately DKK 580 million are expected and distributed as shown below.

Research and development costs to occur	DKK	580	million
Of which:			
Contract costs recognized as production costs	DKK	(110)	million
Capitalized development costs	DKK	(25)	million
	DKK	**445**	**million**
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	DKK	30	million
Research and development costs to be recognized in the income statement	**DKK**	**475**	**million**

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 30 “Risk Management” in the 2015 annual report.

Since the publication of the 2015 annual report, the overall risk profile of the Company remains unchanged.

Product Pipeline

Our clinical pipeline currently comprises seven product candidates which are subject to multiple ongoing clinical studies in infectious diseases and cancer. Many of our programs are supported by external funding through either private or governmental partnerships.

In addition to the clinical pipeline, we have ongoing contracts with the U.S. Government for the preclinical evaluation of recombinant MVA-BN vaccine candidates for selected biological threats (e.g. filoviruses, foot-and-mouth disease virus and Burkholderia).

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	Commercial Rights
INFECTIOUS DISEASES			
IMVAMUNE *liquid-frozen*	Smallpox	Approved in Canada and the EU*	Bavarian Nordic
IMVAMUNE *freeze-dried*	Smallpox	Phase 2	Bavarian Nordic
MVA-BN Filo	Ebola/Marburg	Phase 3**	Janssen
MVA-BN RSV	Respiratory Syncytial Virus	Phase 1	Bavarian Nordic
MVA-BN HPV	Chronic HPV Infection	Preclinical	Janssen
CANCER IMMUNOTHERAPY			
PROSTVAC	Prostate cancer	Phase 3***	Bristol-Myers Squibb
CV-301	Bladder Cancer	Phase 2	Bavarian Nordic
MVA-BN Brachyury	Solid Tumors	Phase 1	Bavarian Nordic

* *Approved in the European Union under the trade name IMVANEX®. Phase 3 ongoing in the U.S.*
** *Multiple Janssen-sponsored Phase 1, 2 and 3 clinical studies ongoing*
*** *Multiple NCI-sponsored Phase 2 clinical studies ongoing*

IMVAMUNE®

- Non-replicating smallpox vaccine
- Approved in Canada and in the European Union (marketed under the trade name IMVANEX®)
- Available for governments for use under national emergency rules
- 28 million doses delivered to the U.S. Strategic National Stockpile (SNS) to-date
- Next-generation freeze-dried version with longer shelf life in the offing

IMVAMUNE is a non-replicating smallpox vaccine distributed as a liquid-frozen formulation, suitable for use in people for whom replicating smallpox vaccines are contraindicated (e.g. people with HIV and atopic dermatitis). The vaccine is the only non-replicating smallpox vaccine approved in Europe for use in the general adult population. Although not yet approved in the United States, IMVAMUNE is currently stockpiled by the U.S. Government for emergency use in people for whom replicating smallpox vaccines are contraindicated. Registration studies are underway to support FDA approval for use of the vaccine in the entire population.

The development of IMVAMUNE has been funded by the U.S. Government, through contracts with the National Institute of Allergy and Infectious Diseases (NIAID) and Biomedical Advanced Research and Development Authority (BARDA), a division of the U.S. Department of Health and Human Services (HHS). Contracts awarded to date for the development and supply of the vaccine exceed USD 1.2 billion, including awards to advance MVA-BN as a broad platform for the development of medical countermeasures against other potential biological threats.

Included is also a contract valued at up to USD 95 million to develop a freeze-dried formulation of IMVAMUNE with longer shelf life to fulfil the U.S. Government's long-term stated goal for stockpiling of sufficient non-replicating smallpox vaccine to protect 66 million people, representing 132 million doses of IMVAMUNE, to address those for whom a replicating smallpox vaccine is contraindicated or who have severe immunodeficiency and who are not expected to benefit from the vaccine.

As part of the transition to the freeze-dried version, we received a new order from BARDA in 2015 for a bulk supply of IMVAMUNE valued at USD 133 million. This bulk material, which will be produced and revenue recognized in 2016 and into 2017, could be converted into freeze-dried IMVAMUNE at a later date, once the freeze-drying production process has been transferred to a commercial line and approved by the U.S. regulatory authorities.

Progress report for the first quarter 2016 and up to the reporting date

- Enrollment was completed in a Phase 2 safety and immunogenicity study of IMVAMUNE in 87 HIV-infected subjects.
- In January, an End of Phase 2 meeting was held with the FDA to discuss the previously announced positive results of a Phase 2 study with IMVAMUNE. At this meeting, the agency accepted that immunogenicity could be bridged between the two formulations and that the proposed single Phase 3 lot consistency study is sufficient for approval of freeze-dried IMVAMUNE. Furthermore, based on the current safety database which includes data from a large Phase 3 lot-consistency and safety study, FDA agreed that all future trials involving MVA-BN would no longer require active cardiac monitoring.

Anticipated developments

- Finalize manufacturing activities to support transition to freeze-dried version.
- Additional orders from U.S. and rest of world.
- Complete enrollment of Phase 3 non-inferiority study.

Read more

http://www.bavarian-nordic.com/pipeline/imvamune

MVA-BN Filo

- Ebola and Marburg vaccine candidate in Phase 3 development
- Licensed to Janssen for use in prime-boost Ebola vaccine regimen
- 2 million doses produced and delivered as part of Janssen collaboration

MVA-BN Filo is a vaccine candidate, initially developed by Bavarian Nordic in collaboration with NIAID for protection against the filoviruses Ebola and Marburg. In 2014, MVA-BN Filo was licensed to Janssen for use in a prime-boost Ebola vaccine regimen in which a dose of Janssen's Ad26.ZEBOV is first given to prime the immune

system, and then a dose of MVA-BN Filo is given at a later date to boost the immune response, with the goal of creating stronger and longer-lasting immunity. Together with an array of consortium partners, Janssen is conducting multiple clinical Phase 1, 2 and 3 trials in healthy adults, children, elderly and immunocompromised populations across Europe, USA and Africa.

Our work with NIAID to develop a multivalent prime-boost vaccine that offers broader protection against multiple filoviruses continues, and we have received USD 33 million in funding for this development to-date.

MVA-BN Filo clinical trials

Phase	Location	No. of subjects	Study Population	Status
Phase 1	Europe	87	Healthy adults	Completed
Phase 1	USA	164	Healthy adults	Enrolled
Phase 1	Africa	72	Healthy adults	Enrolled
Phase 1	Africa	78	Healthy adults	Enrolled
Phase 2	Europe	612	Healthy adults	Enrolling
Phase 2	Africa	1,188	Healthy adults, elderly & children, HIV-infected adults	Enrolling
Phase 2	USA/Africa	575	Healthy and HIV-infected adults	Enrolling
Phase 3	Africa	728	Healthy adults & children	Enrolling
Phase 3	USA	525	Healthy adults	Enrolled
Phase 3	USA	329	Healthy adults	Enrolled

Progress report for the first quarter 2016 and up to the reporting date

- In April, results from the first Phase 1 study of the Ebola prime-boost regimen were published in JAMA: The Journal of the American Medical Association. The results show that the vaccine regimen produced an antibody response in 100 percent of healthy volunteers that was sustained 8 months following immunization, indicating potential for a durable response.

Anticipated developments

- Report results of ongoing clinical studies of the prime-boost vaccine (Janssen).

Read more

http://www.bavarian-nordic.com/pipeline/mva-bn-filo

MVA-BN HPV

- Human papillomavirus (HPV) vaccine candidate
- Preclinical stage program in collaboration with Janssen
- Novel approach for early treatment and interception of HPV-induced cancers

MVA-BN HPV is a new vaccine candidate, which was licensed to Janssen in December 2015 as the first of three potential infectious disease indications. MVA-BN HPV will be developed for use together with Janssen's adenovirus vector based technology in a prime-boost vaccine regimen targeting HPV. The long-term goal is to develop a vaccine to treat chronic HPV infections as well as prevent precancerous stages of HPV-induced cancer.

Janssen continues to retain an exclusive option to license MVA-BN for the two additional undisclosed infectious disease targets.

Anticipated developments

- Initiate a Phase 1 clinical study in 2017.

MVA-BN RSV

- Respiratory syncytial virus (RSV) vaccine candidate based on MVA-BN
- Accelerated development program with large commercial potential
- RSV represents a significant burden and no vaccines are available

MVA-BN RSV is a product candidate in Phase 1 clinical development for the prevention of RSV. The vaccine has been designed to elicit responses against both RSV subtypes A and B. Preclinical studies have shown MVA-BN RSV to be highly efficacious, demonstrating both an antibody and a T-cell response from the immune system, which are both required to prevent an RSV infection. These studies furthermore show that the vaccine candidate induces an antibody response in the mucosa. In addition to antibodies in the blood, the presence of antibodies in the mucous membrane is an important barrier to infection by RSV.

A Phase 1 clinical study in 63 healthy adults was initiated and fully enrolled in 2015. Data from the study is anticipated in the first half of 2016. Upon the successful completion of the Phase 1 trial, the Company intends to rapidly progress the RSV vaccine candidate into multiple Phase 1 and Phase 2 trials in elderly and at-risk populations, as well as the pediatric population.

Anticipated developments

- Report Phase 1 results
- Initiate a Phase 2 study in elderly in second half of 2016.
- Initiate a Phase 2 field efficacy study in elderly in 2017.
- Initiate a Phase 1/2 study in children in 2017.

Read more

http://www.bavarian-nordic.com/pipeline/mva-bn-rsv

MVA-BN Other Projects

The successful development and manufacturing of MVA-BN for areas like smallpox and Ebola has taken Bavarian Nordic to the forefront of the medical countermeasures industry. The MVA-BN technology could prove to be a desirable platform for the prevention of numerous other emerging diseases, and Bavarian Nordic is already collaborating with various U.S. Government agencies to explore the potential of MVA-BN for diseases like Marburg, Burkholderia and Foot-and-Mouth Disease Virus. Additionally, under an agreement with the National Institute of Allergy and Infectious Diseases (NIAID), an MVA-BN based vaccine candidate against yellow fever has been generated and a Phase 1 clinical trial of the vaccine is planned for initiation later in 2016, sponsored by NIAID.

Additionally, at the request of certain health authorities, including BARDA and WHO, Bavarian Nordic has submitted proposals outlining a concept for utilization of MVA-BN in the development and manufacturing of vaccines in the fight against emerging infectious diseases, including Zika virus. Any future development in these areas would depend on funding availability.

PROSTVAC

- Prostate cancer immunotherapy candidate
- Collaboration with Bristol-Myers Squibb
- Demonstrated overall survival benefit in Phase 2 clinical study in patients with late-stage prostate cancer
- Potential for use in earlier disease stages and in combination with other anti-cancer agents
- Phase 3 ongoing with final data readout anticipated in 2017

PROSTVAC is a prostate specific antigen (PSA)-targeted immunotherapy candidate designed to enhance or stimulate the body's immune response, specifically T-cells that will home to and kill prostate cancer cells, altering the course of the disease and improving overall survival of patients with prostate cancer. PROSTVAC employs two poxviruses (vaccinia and fowlpox) in a prime-boost vaccine regimen. The product candidate is currently in Phase 3 development for the treatment of patients with asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer (mCRPC). A robust data package has been established that includes 16 ongoing or completed clinical studies, comprising more than 1,800 patients of which more than 1,100 patients have been actively treated with PROSTVAC, which has been generally well-tolerated.

PROSTVAC is being developed under a cooperative research and development agreement (CRADA) with the U.S. National Cancer Institute (NCI). An agreement was entered with Bristol-Myers Squibb in March 2015, providing them an exclusive option to license and commercialize PROSTVAC.

Ongoing Phase 3 trial

PROSTVAC is currently the subject of a global randomized, double-blind, placebo-controlled Phase 3 trial of PROSTVAC in 1,297 patients with asymptomatic or minimally symptomatic mCRPC.

The primary objective of the trial is to determine whether the overall survival of patients receiving PROSTVAC in either of the treatment arms, with or without the addition of granulocyte macrophage colony-stimulating factor (GM-CSF), is superior to that of patients receiving placebo. While the prior placebo-controlled Phase 2 trial included the use of GM-CSF, additional clinical work has shown that the administration of GM-CSF with PROSTVAC may not be required. The PROSPECT trial is designed to potentially rule out the need for GM-CSF.

Although the trial is powered to detect a difference in survival between active treatment and placebo at final analysis, three pre-specified interim analyses of data have been integrated into the statistical plan to evaluate whether the trial should continue as planned or potentially be stopped early for efficacy or futility. These interim analyses will occur after a certain number of events (deaths) have occurred in both comparisons of treatment arms versus placebo.

Exploring the full potential of PROSTVAC in combination trials

To leverage the full potential of PROSTVAC, Bavarian Nordic and Bristol-Myers Squibb have agreed to conduct exploratory combination studies of PROSTVAC with or without agents from Bristol-Myers Squibb's immuno-oncology portfolio, including ipilimumab (Yervoy®) and nivolumab (Opdivo®). In addition to a series of planned, ongoing and completed NCI-sponsored studies of PROSTVAC as single or combination therapy, these studies will add to the clinical experience, thus potentially broadening the future commercial value of PROSTVAC.

Ongoing PROSTVAC studies:

Therapy	Indication	Details	Status
PROSTVAC	Localized prostate cancer Patients undergoing active surveillance	Phase 2 90 patients (up to 150)	Enrolling
PROSTVAC	Localized prostate cancer, neoadjuvant Patients undergoing radical prostatectomy	Phase 2 27 patients	Enrolling
PROSTVAC + flutamide	Non-metastatic prostate cancer	Phase 2 53 patients	Fully enrolled
PROSTVAC	Non-metastatic castration sensitive prostate cancer	Phase 2 80 patients	Enrolling
PROSTVAC + enza	Non-metastatic castration sensitive prostate cancer	Phase 2 38 patients	Fully enrolled
PROSTVAC + docetaxel + ADT	Metastatic castration sensitive prostate cancer	Phase 2 38 patients	Enrolling
PROSTVAC + enza	mCRPC	Phase 2 76 patients	Enrolling
PROSTVAC	mCRPC	Phase 3 1,297 patients	Fully enrolled

ipi: ipilimumab, nivo: nivolumab, enza: enzalutamide, ADT: androgen-deprivation therapy

Progress report for the first quarter 2016 and up to the reporting date

- Two new Phase 2 studies of PROSTVAC were initiated by the National Cancer Institute. The first study is investigating the combination of PROSTVAC and docetaxel in 38 patients with non-metastatic castration sensitive prostate cancer receiving androgen deprivation therapy. The second study is investigating PROSTVAC in 80 patients with biochemically recurrent prostate cancer.
- After review of the first interim analysis of the PROSTVAC Phase 3 study, the Data Monitoring Committee informed Bavarian Nordic that the trial should continue without modification as planned. The first interim analysis was based upon the occurrence of 214 events, and while the final study data are anticipated in 2017 and requires 534 events in both comparisons, the second and third interim analysis will occur at 321 and 427 events respectively.

Anticipated developments

- Initiate Phase 2 combination study of PROSTVAC and ipilimumab (Yervoy®) in collaboration with Bristol-Myers Squibb
- Initiate NCI-sponsored Phase 2 combination study of PROSTVAC, ipilimumab and nivolumab (Opdivo®)
- Phase 3 top-line data (2017) with interim analyses starting in 2016.
- Report results from ongoing NCI-sponsored Phase 2 clinical trials.

Read more

http://www.bavarian-nordic.com/pipeline/prostvac

CV-301

- Immunotherapy candidate for multiple cancers
- Collaboration with NCI
- Phase 2 in non-small cell lung cancer planned for initiation later in 2016

CV-301 is an immunotherapy candidate which is being developed under a cooperative research and development agreement (CRADA) with the National Cancer Institute (NCI). CV-301 employs two poxviruses (vaccinia and fowlpox) in a prime-boost vaccine regime which carries two tumor-associated antigens, CEA and MUC-1, which are over-expressed in major cancer types. CV-301 has been tested in six NCI-sponsored clinical trials in various cancers, and more than 300 patients have been treated with the product candidate. Currently, a Phase 2 clinical trial is ongoing in bladder cancer.

We have generated a new and improved vaccine construct, in which the vaccinia primer has been replaced with our MVA-BN. This new version will be employed in the future development of CV-301, focusing on combination treatments with checkpoint inhibitors.

While non-small cell lung cancer (NSCLC) represents the first clinical target, we plan to initiate no less than three separate randomized, placebo-controlled Phase 2 trials in NSCLC, bladder cancer and colorectal cancer, in combination with assorted checkpoint inhibitors. These studies will evaluate the efficacy of the individual components, as well as the combination of the vaccine and a checkpoint inhibitor to determine what, if any, synergy can be seen in combination. The objective is to improve the progression-free survival, which offers relatively fast generation of data.

Anticipated developments

- Initiate a Phase 2 study of CV-301 in combination with checkpoint inhibitors in NSCLC and additional indications

Read more

http://www.bavarian-nordic.com/pipeline/cv-301

MVA-BN Brachyury

- Immunotherapy candidate in Phase 1 development for the treatment of metastatic cancer and chordoma
- Clinical development sponsored by the National Cancer Institute (NCI)

MVA-BN Brachyury is designed to induce a robust T-cell immune response against brachyury, a tumor-associated antigen that is overexpressed in major solid tumor indications. Brachyury 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 current therapies and are associated with decreased survival rates.

Results from a Phase 1 trial of MVA-BN Brachyury in 38 patients with metastatic cancer or chordoma were reported in November 2015, and demonstrate for the first time that an MVA-BN based vaccine targeting brachyury can induce brachyury-specific T-cell immune responses in advanced cancer patients.

Anticipated developments

- Initiate NCI-sponsored Phase 2 study of MVA-BN Brachyury.

Read more

http://www.bavarian-nordic.com/pipeline/mva-bn-brachyury

Other Developments

New Member of the Board

At the ordinary general meeting on April 20, 2016, Gerard van Odijk, Anders Gersel Pedersen, Claus Bræstrup, Erik G. Hansen and Peter Kürstein were re-elected to the Board of Directors. Furthermore, Frank Verwiel was elected as new member of the Board of Directors, and was appointed member of the Finance, Risk and Audit Committee. The Board of Directors constituted itself with Gerard van Odijk as Chairman and Anders Gersel Pedersen as Deputy Chairman.

Dr Verwiel has served as an observer of the Board of Directors since August 2015. He has over 25 years of strategic, operational and international experience within the pharmaceutical industry, most recently as President and CEO of Aptalis Pharma, Inc., where he also served on the Board of Directors. Dr Verwiel currently serves as a member of the Board of Directors of Achillion Pharmaceuticals, Inc., AveXis, Inc. and ObsEva SA.

Share Information

Bavarian Nordic is listed on the Nasdaq Copenhagen exchange under the symbol BAVA. Furthermore, Bavarian Nordic has established a sponsored Level 1 American Depositary Receipt (ADR) program in the U.S. Bavarian Nordic ADRs are available for trading in the U.S. over-the-counter (OTC) market under the symbol BVNRY. Three ADRs represent one Bavarian Nordic share.

Developments in the share capital

The Company's share capital was DKK 280,196,710 by year-end 2015, which was made up of 28,019,671 shares with a nominal value of DKK 10 each.

In March, the Company issued 46,041 new shares as a consequence of employees' exercise of warrants. The shares were subscribed for in cash at the following prices per share of nominally DKK 10: 6,041 shares at DKK 54.00 and 40,000 shares at DKK 55.00.The total proceeds to Bavarian Nordic amounted to DKK 2.5 million.

At March 31, 2016, the Company's share capital amounted to DKK 280,657,120, and there were 1,572,564 outstanding warrants, which entitle warrant holders to subscribe for 1,572,564 shares with a nominal value of DKK 10 each. Thus the fully diluted share capital amounted to DKK 296,382,760 at the end of first quarter 2016.

In April, the Company announced and completed a private placement of 2,770,000 new shares through an accelerated book-building process. The subscription price was DKK 240 per share of nominal value DKK 10 each, raising gross proceeds to Bavarian Nordic of approximately DKK 665 million. Bavarian Nordic expects to use the proceeds from the offering to accelerate its commercial vaccine pipeline, including its CV-301 cancer immunotherapy and MVA-BN RSV program, as well as for potential expansion of Bavarian Nordic's existing manufacturing facility.

Consequently, at the reporting date, the Company's share capital amounts to DKK 308,357,120 which is made up of 30,835,712 shares with a nominal value of DKK 10 each.

Financial calendar 2016

17 August 2016	Financial Statements for the first half of 2016 (Q2)
9 November 2016	Financial Statements for the first nine months of 2016 (Q3)

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 March 31, 2016.

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 March 31, 2016 and the results of the group's activities and cash flows for the period January 1 to March 31, 2016.

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, May 13, 2016

Corporate Management:

Paul Chaplin
President and CEO

Ole Larsen
Executive Vice President & CFO

Board of Directors:

Gerard van Odijk
Chairman of the Board

Anders Gersel Pedersen
Deputy Chairman

Claus Bræstrup

Erik G. Hansen

Peter Kürstein

Frank Verwiel

Financial Statements

Consolidated Key Figures (unaudited)

DKK thousand	1/1 - 31/3 2016	1/1 - 31/3 2015	1/1-31/12 2015
Income statements			
Revenue	22,558	234,789	1,020,561
Production costs	18,897	92,114	415,138
Research and development costs	104,310	118,565	386,811
Distribution costs	6,959	17,427	42,272
Administrative costs	45,137	46,882	174,786
Income before interest and taxes (EBIT)	(152,745)	(40,199)	1,554
Financial items, net	(16,489)	103,180	76,075
Income before company tax	(169,234)	62,981	77,629
Net profit for the period	(128,753)	45,376	59,426
Balance sheet			
Total non-current assets	613,956	539,996	585,005
Total current assets	1,248,654	1,923,813	1,404,258
Total assets	1,862,610	2,463,809	1,989,263
Equity	1,212,433	1,268,840	1,342,479
Non-current liabilities	56,035	51,403	56,550
Current liabilities	594,142	1,143,566	590,234
Cash flow statements			
Securities, cash and cash equivalents	972,026	1,607,497	1,058,204
Cash flow from operating activities	(66,756)	599,437	105,323
Cash flow from investment activities	(120,273)	(14,458)	(178,123)
- Investment in intangible assets	(13,314)	(9,025)	(28,269)
- Investment in property, plant and equipment	(6,551)	(414)	(31,652)
Cash flow from financing activities	2,016	11,276	26,569
Financial Ratios (DKK) [1)]			
Earnings (basic) per share of DKK 10	(4.6)	1.6	2.1
Net asset value per share	43.2	45.8	47.9
Share price at period-end	245	357	358
Share price/Net asset value per share	5.7	7.8	7.5
Number of outstanding shares at period-end	28,066	27,732	28,020
Equity share	65%	51%	67%
Number of employees, converted to full-time, at period-end	418	421	409

[1)] Earnings per share (EPS) is calculated in accordance with IAS 33 "Earning per share". The financial ratios have been calculated in accordance with "Anbefalinger og Nøgletal 2015" (Recommendations and Financial ratios 2015).

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. Prepayment from customers
11. Other liabilities
12. Financial instruments
13. Incentive plans
14. Significant changes in contingent liabilities and other contractual obligations
15. Significant events after the balance sheet date
16. Approval of the unaudited condensed consolidated interim financial statements

Unaudited Condensed Consolidated Income Statements for the Periods Ended March 31, 2016 and 2015

DKK thousand	Note	1/1 - 31/3 2016	1/1 - 31/3 2015	1/1-31/12 2015
Revenue	3	22,558	234,789	1,020,561
Production costs	4	18,897	92,114	415,138
Gross profit		**3,661**	**142,675**	**605,423**
Research and development costs	5	104,310	118,565	386,811
Distribution costs		6,959	17,427	42,272
Administrative costs		45,137	46,882	174,786
Total operating costs		**156,406**	**182,874**	**603,869**
Income before interest and tax (EBIT)		**(152,745)**	**(40,199)**	**1,554**
Financial income	6	5,802	103,604	99,357
Financial expenses	7	22,291	424	23,282
Income before company tax		**(169,234)**	**62,981**	**77,629**
Tax on income for the period		(40,481)	17,605	18,203
Net profit for the period		**(128,753)**	**45,376**	**59,426**
Earnings per share (EPS) - DKK				
Basic earnings per share of DKK 10		(4.6)	1.6	2.1
Diluted earnings per share of DKK 10		(4.6)	1.6	2.1

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Periods Ended March 31, 2016 and 2015

DKK thousand	1/1 - 31/3 2016	1/1 - 31/3 2015	1/1-31/12 2015
Net profit for the period	**(128,753)**	**45,376**	**59,426**
Items that might be reclassified to the income statement:			
Exchange rate adjustments on translating foreign operations	13,784	(44,116)	(38,371)
Other comprehensive income after tax	**13,784**	**(44,116)**	**(38,371)**
Total comprehensive income	**(114,969)**	**1,260**	**21,055**

Unaudited Condensed Consolidated Statements of Financial Position - Assets as of March 31, 2016 and 2015 and December 31, 2015

DKK thousand	Note	31/3 2016	31/3 2015	31/12 2015
Assets				
Software		5,519	4,694	3,194
IMVAMUNE development project		107,534	83,093	100,500
Intangible assets in progress		7,703	2,565	4,495
Intangible assets		**120,756**	**90,352**	**108,189**
Land and buildings		214,448	222,347	218,610
Leasehold improvements		367	852	402
Plant and machinery		49,583	59,778	53,562
Fixtures and fittings, other plant and equipment		18,458	20,092	19,358
Assets under construction		39,183	24,136	33,828
Property, plant and equipment		**322,039**	**327,205**	**325,760**
Other receivables		1,064	823	914
Financial assets		**1,064**	**823**	**914**
Deferred tax assets		**170,097**	**121,616**	**150,142**
Total non-current assets		**613,956**	**539,996**	**585,005**
Development projects for sale		**70,069**	**69,693**	**70,069**
Inventories	8	**114,717**	**142,382**	**91,002**
Trade receivables		51,405	68,413	137,927
Tax receivables		5,424	2,987	4,174
Other receivables	9	13,488	10,691	19,652
Prepayments		21,525	22,150	23,230
Receivables		**91,842**	**104,241**	**184,983**
Securities		787,018	588,174	684,141
Cash and cash equivalents		185,008	1,019,323	374,063
Securites, cash and cash equivalents		**972,026**	**1,607,497**	**1,058,204**
Total current assets		**1,248,654**	**1,923,813**	**1,404,258**
Total assets		**1,862,610**	**2,463,809**	**1,989,263**

Unaudited Condensed Consolidated Statements of Financial Position - Equity and Liabilities as of March 31, 2016 and 2015 and December 31, 2015

DKK thousand	Note	31/3 2016	31/3 2015	31/12 2015
Equity and liabilities				
Share capital		280,657	277,319	280,197
Retained earnings		940,165	1,032,880	1,066,558
Other reserves		(8,389)	(41,359)	(4,276)
Equity		**1,212,433**	**1,268,840**	**1,342,479**
Provisions		25,226	18,603	25,226
Debt to credit institutions		30,809	32,800	31,324
Non-current liabilities		**56,035**	**51,403**	**56,550**
Debt to credit institutions		1,999	1,913	1,969
Prepayment from customers	10	468,917	868,925	405,789
Trade payables		35,429	67,225	69,574
Company tax		1,236	46	621
Provisions		-	4,217	570
Other liabilities	11	86,561	201,240	111,711
Current liabilities		**594,142**	**1,143,566**	**590,234**
Total liabilities		**650,177**	**1,194,969**	**646,784**
Total equity and liabilities		**1,862,610**	**2,463,809**	**1,989,263**

Unaudited Condensed Consolidated Statements of Cash Flow for the Periods Ended March 31, 2016 and 2015 and December 31, 2015

DKK thousand	1/1 - 31/3 2016	1/1 - 31/3 2015	1/1-31/12 2015
Net profit for the period	**(128,753)**	**45,376**	**59,426**
Adjustment for non-cash items:			
Financial income	(5,802)	(103,604)	(99,357)
Financial expenses	22,291	424	23,282
Tax on income for the period	(40,481)	17,605	18,203
Depreciation, amortization and impairment losses	10,779	10,916	43,525
Expensing (amortization) of IMVAMUNE development project	162	2,512	2,694
Share-based payment	(3,328)	11,992	26,746
Changes in development projects for sale	-	-	(41,656)
Changes in inventories	(23,715)	(20,535)	30,845
Changes in receivables	94,687	334,190	28,017
Changes in provisions	(570)	-	(878)
Changes in current liabilities	13,633	281,504	(12,470)
Cash flow from operations (operating activities)	**(61,097)**	**580,380**	**78,377**
Received financial income	1,161	35,207	43,742
Paid financial expenses	(5,019)	(466)	(2,935)
Paid company taxes	(1,801)	(15,684)	(13,861)
Cash flow from operating activities	**(66,756)**	**599,437**	**105,323**
Investments in and additions to intangible assets	(13,314)	(9,025)	(28,269)
Investments in property, plant and equipment	(6,551)	(414)	(31,652)
Disposal of property, plant and equipment	-	-	1,200
Investments in/disposal of financial assets	(150)	(30)	(122)
Investments in securities	(118,944)	89,773	(734,557)
Disposal of securities	18,686	(94,762)	615,277
Cash flow from investment activities	**(120,273)**	**(14,458)**	**(178,123)**
Payment on mortgage and construction loan	(485)	(465)	(1,885)
Proceeds from warrant programs exercised	2,526	11,741	28,595
Cost related to issue of new shares	(25)	-	(141)
Cash flow from financing activities	**2,016**	**11,276**	**26,569**
Cash flow of the period	**(185,013)**	**596,255**	**(46,231)**
Cash as of 1 January	374,063	398,357	398,357
Currency adjustments 1 January	(4,042)	24,711	21,937
Cash end of period	**185,008**	**1,019,323**	**374,063**

DKK thousand	Share capital	Retained earnings	Reserves for currency adjustment	Share-based payment	Equity
Equity as of January 1, 2016	**280,197**	**1,066,558**	**(73,556)**	**69,280**	**1,342,479**
Comprehensive income for the period					
Net profit	-	(128,753)	-	-	(128,753)
Other comprehensive income					
Exchange rate adjustments on translating foreign operations	-	-	13,784	-	13,784
Total comprehensive income for the period	**-**	**(128,753)**	**13,784**	**-**	**(114,969)**
Transactions with owners					
Share-based payment	-	-	-	4,117	4,117
Warrant program exercised	460	2,385	-	(319)	2,526
Cost related to issue of new shares	-	(25)	-	-	(25)
Tax related to items recognized directly in equity	-	-	-	(21,695)	(21,695)
Total transactions with owners	**460**	**2,360**	**-**	**(17,897)**	**(15,077)**
Equity as of March 31, 2016	**280,657**	**940,165**	**(59,772)**	**51,383**	**1,212,433**

DKK thousand	Share capital	Retained earnings	Reserves for currency adjustment	Share-based payment	Equity
Equity as of January 1, 2015	**276,712**	**972,321**	**(35,185)**	**38,246**	**1,252,094**
Comprehensive income for the period					
Net profit	-	45,376	-	-	45,376
Other comprehensive income					
Exchange rate adjustments on translating foreign operations	-	-	(44,116)	-	(44,116)
Total comprehensive income for the period	**-**	**45,376**	**(44,116)**	**-**	**1,260**
Transactions with owners					
Share-based payment	-	-	-	3,745	3,745
Warrant program exercised	607	15,183	-	(4,049)	11,741
Warrant program expired	-	-	-	-	-
Total transactions with owners	**607**	**15,183**	**-**	**(304)**	**15,486**
Equity as of March 31, 2015	**277,319**	**1,032,880**	**(79,301)**	**37,942**	**1,268,840**

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 2015 and in accordance with the recognition and measurement policies in the International Financial Reporting Standards (IFRS) as adopted by EU.

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 2015, the Management has not changed significant estimates and judgments regarding recognition and measurement.

DKK thousand	1/1 - 31/3 2016	1/1 - 31/3 2015	1/1-31/12 2015
3. Revenue			
IMVAMUNE sale	7,844	64,923	77,813
Other product sale	-	144,280	762,054
Sale of goods	7,844	209,203	839,867
Contract work	14,714	25,586	180,694
Sale of services	14,714	25,586	180,694
Revenue	**22,558**	**234,789**	**1,020,561**
4. Production costs			
Cost of goods sold, IMVAMUNE sale	1,633	19,027	20,511
Cost of goods sold, other product sale	-	45,434	171,209
Contract costs	9,171	10,320	108,678
Other production costs	8,093	17,333	114,740
Production costs	**18,897**	**92,114**	**415,138**
5. Research and development costs			
Research and development costs occured in the period	120,515	133,621	517,632
Of which:			
Contract costs recognized as production costs	(9,171)	(10,320)	(108,678)
Capitalized development costs	(7,196)	(7,248)	(24,837)
	104,148	116,053	384,117
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	162	2,512	2,694
Research and development costs	**104,310**	**118,565**	**386,811**
6. Financial income			
Financial income from bank and deposit contracts	-	-	38
Interest income from financial assets not measured at fair value in the income statement	-	-	38
Financial income from securities	3,262	3,242	14,959
Fair value adjustments on securities	2,540	1,793	-
Net gains on derivative financial instruments at fair value in the income statement	-	-	17,402
Net foreign exchange gains	-	98,569	66,958
Financial income	**5,802**	**103,604**	**99,357**
7. Financial expenses			
Interest expenses on debt	554	424	2,676
Interest expenses on financial liabilities not measured at fair value in the income statement	554	424	2,676
Fair value adjustments on securities	-	-	16,749
Adjustment of net present value of provisions	-	-	3,857
Net foreign exchange losses	21,737	-	-
Financial expenses	**22,291**	**424**	**23,282**

DKK thousand	31/3 2016	31/3 2015	31/12 2015
8. Inventories			
Raw materials and supply materials	31,317	25,781	31,785
Work in progress	166,568	154,944	135,589
Manufactured goods and commodities	11,225	14,456	13,517
Write-down on inventory	(94,393)	(52,799)	(89,889)
Inventories	**114,717**	**142,382**	**91,002**
Write-down on inventory 1 January	(89,889)	(45,891)	(45,891)
Write-down during the period	(4,708)	(6,908)	(46,733)
Use of write-down	-	-	2,735
Reversal of write-down	204	-	-
Write-down end of period	**(94,393)**	**(52,799)**	**(89,889)**
9. Other receivables			
Receivable VAT and duties	7,317	2,769	8,581
Financial instruments at fair value	-	699	-
Accrued interest	6,171	7,223	8,272
Other receivables	-	-	2,799
Other receivables	**13,488**	**10,691**	**19,652**
10. Prepayment from customers			
Prepayments from customers as of January 1	405,789	375,190	375,190
Prepayments received during the period	64,871	627,962	631,158
Repaid during the year	-	-	(21,135)
Recognized as income during the period	(1,743)	(134,227)	(579,424)
Prepayments from customers end of period	468,917	**868,925**	**405,789**
11. Other liabilities			
Liability relating to phantom shares	13,016	11,276	20,490
Payable salaries, holiday accrual etc.	45,209	59,689	56,238
Other accrued costs	28,336	130,275	34,983
Other liabilities	**86,561**	**201,240**	**111,711**

12. 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 March 31, 2016

DKK thousand	Level 1	Level 2	Total
Securities	787,018	-	787,018
Financial assets measured at fair value in the income statement	**787,018**	**-**	**787,018**

As of December 31, 2015

DKK thousand	Level 1	Level 2	Total
Securities	684,141	-	684,141
Financial assets measured at fair value in the income statement	**684,141**	**-**	**684,141**

13. Incentive plans

Outstanding warrants as of March 31, 2016

	Outstanding as of January 1	Addition during the period	Options exercised	Annulled	Terminated	Trans-ferred	Outstanding as of March 31
Board of Directors	50,000	-	-	-	-	-	50,000
Corporate Management	269,802	-	-	-	-	-	269,802
Other employees	877,200	-	(546)	(6,000)	-	-	870,654
Retired employees	427,603	-	(45,495)	-	-	-	382,108
Total	**1,624,605**	**-**	**(46,041)**	**(6,000)**	**-**	**-**	**1,572,564**
Weighted average exercise price	**148**	**-**	**55**	**367**	**-**	**-**	**150**
Weighted average share price at exercise	**-**	**-**	**244**	**-**	**-**	**-**	**-**

Numbers of warrants which can be exercised as of March 31, 2016	272,462
at a weighted average exercise price of DKK	58

The total recognized cost of the warrant programs was DKK 4.1 million in the first three months of 2016 (DKK 3.7 million).

Specification of parameters for Black-Scholes model

Specification of parameters for Black-Scholes model

DKK	Aug 2011	May 2012	Aug 2012	Feb 2013	Aug 2013	Dec 2013	Aug 2014	Dec 2015
Average share price	50.00	43.30	52.00	45.50	68.00	82.00	117.50	334.00
Average exercise price at grant	54.10	54.00	59.10	55.00	73.90	96.50	131.40	366.85
Expected volatility rate	73.4%	52.5%	50.0%	28.3%	36.4%	35.4%	39.7%	53.8%
Expected life (years)	3.3	3.3	3.3	3.1	3.3	3.3	3.3	3.3
Expected dividend per share	-	-	-	-	-	-	-	-
Risk-free interest rate p.a.	1.08%	0.31%	-0.09%	0.22%	0.78%	0.74%	0.63%	0.25%
Fair value at grant [1)]	24	13	16	6	16	17	29	115

The expected volatility is based on the historical volatility.

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

14. Significant changes in contingent liabilities and other contractual obligations

No significant changes in contingent liabilities and other contractual obligations have occurred since December 31, 2015.

15. Significant events after the balance sheet date

In April, Bavarian Nordic completed a private placement through an accelerated book-building process of 2,770,000 new shares. The subscription price was DKK 240 per share of nominal value DKK 10 each, raising gross proceeds to Bavarian Nordic of approximately DKK 665 million.

On January 4, 2016 Bavarian Nordic announced the filing of a Form F-1 Registration Statement with the U.S. Securities and Exchange Commission for a proposed initial public offering of American Depositary Shares. In April, Bavarian Nordic announced that the Form F-1 Registration Statement will be withdrawn. After considering the option of a U.S. listing and discussions with potential and existing shareholders, the Board of Directors has determined that maintaining a single listing and pool of liquidity is preferable at this time.

16. 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 May 13, 2016.

Forward-looking statement

This interim report contains forward looking statements. The words “believe”, “expect”, “anticipate”, “intend” and “plan” and similar expressions identify forward looking statements. Actual results or performance may differ materially from any future results or performance expressed or implied by such statements. The important factors that could cause our actual results or performance to differ materially include, among others, risks associated with product discovery and development, uncertainties related to the outcome and conduct of clinical trials including unforeseen safety issues, uncertainties related to product manufacturing, the lack of market acceptance of our products, our inability to manage growth, the competitive environment in relation to our business area and markets, our inability to attract and retain suitably qualified personnel, the unenforceability or lack of protection of our patents and proprietary rights, our relationships with affiliated entities, changes and developments in technology which may render our products obsolete, and other factors. For a further discussion of these risks, please refer to the section “Risk Management” in this interim report. Bavarian Nordic does not undertake any obligation to update or revise forward looking statements in this interim report nor to confirm such statements in relation to actual results, unless required by law.

Trade marks

IMVAMUNE®, IMVANEX®, MVA-BN® and PROSTVAC® are registered trade marks owned by Bavarian Nordic.