Interim Financial Report

for the Period January 1 to September 30, 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 – September 30, 2016

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

- Revenue generated for the nine months ending September 30, 2016 was DKK 591 million (DKK 703 million)
- The income before interest and tax (EBIT) was a loss of DKK 82 million (income of DKK 2 million).
- As of September 30, 2016 the Group's cash preparedness was DKK 1,647 million (DKK 1,618 million), including unutilized credit lines of DKK 392 million (DKK 384 million).

Revenue generated for the nine months ending September 30, 2016 was DKK 591 million (DKK 703 million, of which revenues from Ebola supply under the Janssen agreement amounted to DKK 519 million). Revenue was composed of DKK 423 million (DKK 0 million) from the sale of IMVAMUNE bulk drug substance to U.S. Government, DKK 13 million (DKK 78 million) from the sale of IMVAMUNE final drug product to other countries, DKK 81 million (DKK 0 million) from the IMVAMUNE holdback, and DKK 75 million (DKK 107 million) from contract work. Revenue reported for the three months ended September 30, 2016 was DKK 452 million (DKK 79 million).

The production costs totaled DKK 192 million (DKK 246 million). Costs related directly to revenue amounted to DKK 134 million (DKK 199 million). Other production costs totaled DKK 58 million (DKK 47 million). In the third quarter of 2016, production costs were DKK 145 million (DKK 44 million).

Research and development costs totaled DKK 324 million (DKK 297 million). The increase is mainly related to the RSV vaccine development program.

Distribution costs totaled DKK 28 million (DKK 33 million) and administrative costs totaled DKK 129 million (DKK 125 million).

The income before interest and tax (EBIT) was a loss of DKK 82 million (income of DKK 2 million).

Financial items totaled a net income of DKK 3 million (net income of DKK 58 million). Net income from securities amounted to DKK 18 million (net expense of DKK 7 million), interest expenses on debt amounted to DKK 3 million (DKK 2 million) and negative exchange rate adjustments amounted to DKK 12 million (positive exchange rate adjustments of DKK 53 million). In 2015 net gain on derivative financial instruments amounted to DKK 14 million.

Income before company tax was a loss of DKK 78 million (income of DKK 60 million).

Tax on income was an income of DKK 22 million (expense of DKK 3 million), corresponding to an effective tax rate of 27.7%.

For the first nine months of 2016, Bavarian Nordic reported a net loss of DKK 57 million (net profit of DKK 57 million), which is in line with the expectations as approximately 40% of the year's revenue is expected to be recognized in the last quarter of 2016.

Inventories have increased by DKK 62 million compared to December 31, 2015. The increase is related to the production of IMVAMUNE bulk drug substance for the U.S. Government.

Trade receivables have increased by DKK 357 million compared to December 31, 2015 as all the revenue related to sale of IMVAMUNE bulk drug substance was recognized in September and outstanding as of September 30, 2016.

Securities, cash and cash equivalents increased by DKK 196 million compared to December 31, 2015 as a result of the private placement in April raising a net proceeds of DKK 626 million.

Prepayment from customers have increased by DKK 56 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 September 30, 2016 DKK 4 million has been recognized as revenue.

As of September 30, 2016 the Group's cash preparedness was DKK 1,647 million (DKK 1,618 million), including unutilized credit lines of DKK 392 million (DKK 384 million). Cash flow spend on operating activities was DKK 374 million (contribution DKK 270 million), since all the IMVAMUNE bulk drug substance revenue recognized in third quarter was outstanding as of September 30, 2016. The high cash contribution in 2015 was due to prepayments received 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 417 million (DKK 238 million) primarily due to a net investment in securities of DKK 354 million (DKK 209 million). Cash flow from financing activities contributed with DKK 629 million (DKK 16 million) regarding proceeds from the private placement and warrant exercise. The net change in cash and cash equivalents was DKK -163 million (DKK 48 million).

The Group's equity as of September 30, 2016 stood at DKK 1,915 million (DKK 1,303 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). The cash preparedness at year-end is expected to be approximately DKK 1,900 million (raised from DKK 1,300 million in April after raising DKK 665 million in a private placement). Cash preparedness includes cash, cash equivalents, investments in securities and the aggregate amount of undrawn credit lines.

Total expected research and development costs are approximately DKK 550 million, distributed as shown below.

Research and development costs to occur	DKK	550	million
Of which:			
Contract costs recognized as production costs	DKK	(60)	million
Capitalized development costs	DKK	(30)	million
	DKK	**460**	**million**
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	DKK	50	million
Research and development costs to be recognized in the income statement	**DKK**	**510**	**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 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 we have ongoing contracts with the U.S. Government for the preclinical and clinical evaluation of recombinant MVA-BN vaccine candidates for selected biological threats (e.g. filoviruses, foot-and-mouth disease virus, Burkholderia, and Yellow Fever).

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 2	Bavarian Nordic
MVA-BN HPV	Chronic HPV Infection	Preclinical	Janssen
CANCER IMMUNOTHERAPY			
PROSTVAC	Prostate cancer	Phase 3***	Bristol-Myers Squibb
CV301	Lung cancer (NSCLC)	Phase 1/2 starting in 2016	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 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 (e.g. people with HIV and atopic dermatitis). 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 1.3 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.

- A recently published article (Carlin E.P., et. al. (2016), Public Health Nurs.) shows that the potential number of immunocompromised individuals in the U.S., and their household contacts, could potentially represent upward of 120 million people, almost double the at-risk population identified in the U.S. Government goals.

As part of the transition to freeze-dried IMVAMUNE, BARDA has ordered bulk supplies of IMVAMUNE in 2015 and 2016 at a total value of USD 233 million. The bulk vaccine will be produced and recognized as revenue over the course of 2016 and 2017. A contract for the eventual delivery of finished product to the U.S. Government is still required prior to determining a dose price of the freeze-dried formulation.

Anticipated developments

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

Read more

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

MVA-BN RSV

- Respiratory syncytial virus (RSV) vaccine candidate in Phase 2 development
- RSV represents a significant burden in infants and elderly
- Represents large commercial potential as no RSV vaccines are available

MVA-BN RSV is a product candidate in clinical development for the prevention of RSV. The vaccine has been specifically designed to target 5 different RSV proteins to ensure a broad immune response against both RSV subtypes (A & B). Extensive preclinical studies has shown that MVA-BN RSV induces a balanced immune response comprised of both antibodies and T cells, in a similar fashion to the natural response to an RSV infection.

Results from a Phase 1 study were reported in May 2016, demonstrating that MVA-BN RSV was well tolerated and induced a significant boost in antibodies and T cells in humans against both RSV subtypes. Also of note was the production of IgA, a specialized antibody that is transported from the blood to the mucosal surfaces (e.g. nose, throat, lungs) potentially allowing for protection against RSV at the point of infection/inflammation. These results provide a clear rationale for moving into larger trials, and the Company intends to rapidly progress the vaccine candidate into multiple Phase 1 and Phase 2 trials in elderly and at-risk populations, as well as the pediatric population.

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

- In October, the first Phase 2 clinical study of MVA-BN RSV was initiated. The study, which is being conducted in USA, will enroll 400 healthy subjects, aged 55 or older who will be randomized into five groups of 80 subjects each. Subjects will receive one or two administrations four weeks apart of either a low or high dose of MVA-BN RSV or placebo, in order to identify the optimal dose and schedule for future studies.
- In September, the Phase 1 results for MVA-BN RSV in healthy adult subjects were presented at the 10th International Respiratory Syncytial Virus Symposium in Patagonia, Argentina.

Anticipated developments

- Report top-line results from Phase 2 in elderly in 2017
- Initiate a Phase 2b field efficacy study in elderly in 2017.

Read more

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

MVA-BN Filo

- Ebola and Marburg vaccine candidate in Phase 3 development
- Licensed to Janssen for use in prime-boost vaccine regimens
- 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.

Additionally, Janssen has begun investigation of a multivalent prime-boost regimen which also employs MVA-BN Filo as booster with Ad26.Filo, with the goal of creating a vaccine that offers protection against multiple filoviruses that cause disease in humans, including the Ebola, Sudan and Marburg viruses.

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

- In September, Janssen completed a submission to the World Health Organization (WHO) for Emergency Use Assessment and Listing (EUAL) for the Ebola prime-boost vaccine regimen. The EUAL is a special procedure that can be implemented when there is an outbreak of a disease with high rates of morbidity or mortality and a lack of treatment or prevention options. EUAL assists UN Member States and procurement agencies determine the acceptability for use of a specific vaccine in a public health emergency. The decision to grant EUAL to the investigational vaccine regimen will be based on an evaluation of available data including quality, safety, and immunogenicity, as well as a risk/benefit analysis. While EUAL potentially allows for deployment of a vaccine in an emergency, the vaccine remains investigational pending formal regulatory agency review and approval.
- In September, Janssen furthermore initiated a first-in-human Phase 1 clinical study to test a second-generation, multivalent version of the AdVac/MVA-BN vaccine regimen. The multivalent heterologous prime-boost regimen is intended to protect against multiple filoviruses, including the Ebola Zaire, Ebola Sudan and Marburg viruses. The U.S. study will test the safety, tolerability and immunogenicity of this vaccine regimen in varying dosing schedules among healthy volunteers. The National Institute of Allergy and Infectious Diseases (NIAID), part of the U.S. National Institutes of Health (NIH), is funding this study.

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

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. A robust data package has been established that includes 18 ongoing or completed clinical studies, comprising more than 2,000 patients, the majority of which 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.

The PROSPECT study

PROSTVAC is currently the subject of a global randomized, double-blind, placebo-controlled Phase 3 trial (PROSPECT) in 1,297 patients with asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer (mCRPC).

The primary objective of the trial is to determine whether the overall survival (OS) 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 it may not be required, and therefore the Phase 3 trial has been designed to potentially rule out the need for GM-CSF.

The study was fully enrolled in January 2015. While the recruitment of patients occurred primarily between 2012 and 2014, it is worth noting that the recruitment rate was higher toward the latter half of the study, as is common. Based on this rate, the Company anticipates that final OS analysis will occur in 2017.

Final analysis requires 534 events (deaths) in each comparison of the two treatment arms versus placebo. For the study outcome to be positive, a hazard ratio of 0.82 or less is required. The study has a power of 85% and is designed to detect a difference in survival between active treatment and placebo at final analysis. However, 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. The efficacy and futility hurdles for these interim analysis are, what the Company considers to be, high, and it is the Company's continued belief that the study will continue to the final OS analysis. The first two interim analyses occurred at 214 and 321 events respectively, both confirming that the study should continue without modification as recommended by the independent Data Monitoring Committee (DMC). The third interim analysis will occur at 427 events. The company remains blinded to all data.

Exploring the full potential of PROSTVAC in combination trials

To leverage the full potential of PROSTVAC, Bavarian Nordic and its partners are conducting exploratory combination studies of PROSTVAC with or without agents from Bristol-Myers Squibb's immuno-oncology portfolio, including ipilimumab (Yervoy®) and nivolumab (Opdivo®). These studies will investigate the potential synergies of combining PROSTVAC with one or more checkpoint inhibitors in early stages of prostate cancer. 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 and planned PROSTVAC studies:

Therapy	Indication	Details	Status
PROSTVAC	Localized prostate cancer Patients undergoing active surveillance	Phase 2 150 patients	Enrolling
PROSTVAC	Localized prostate cancer, neoadjuvant Patients undergoing radical prostatectomy	Phase 2 27 patients	Fully enrolled
PROSTVAC + *ipilimumab*	Localized prostate cancer, neoadjuvant Patients undergoing radical prostatectomy	Phase 2 75 patients	Enrolling
PROSTVAC + *ipilimumab* + *nivolumab*	Localized prostate cancer, neoadjuvant Patients undergoing radical prostatectomy	Phase 2 65 patients	Planned
PROSTVAC	Patients at risk of relapse after radical prostatectomy	Phase 2 44 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 + *enzalutamide*	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 + *enzalutamide*	mCRPC	Phase 2 76 patients	Enrolling
PROSTVAC	mCRPC	Phase 3 1,297 patients	Fully enrolled

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

- In October, a Phase 2 clinical trial of PROSTVAC in combination treatment with ipilimumab as neoadjuvant therapy in 75 patients with localized prostate cancer was initiated. Patients are being randomized into three cohorts of 25 each to receive either PROSTVAC or ipilimumab or a combination of both. The primary endpoint of the study is to evaluate CD3+ T cell immune responses and secondary measures include immunologic infiltration, circulating effector T cells and regulatory T cells. The principal investigator of the study is Lawrence Fong, MD, Professor, Department of Medicine (Hematology/Oncology), University of California, San Francisco (UCSF) and UCSF is also sponsor of the study.
- After review of the second interim analysis of the PROSTVAC Phase 3 study in July, the Data Monitoring Committee informed Bavarian Nordic that the trial should continue without modification as planned.

Anticipated developments

- Initiate NCI-sponsored Phase 2 combination study of PROSTVAC, ipilimumab and nivolumab
- Phase 3 third interim analysis
- Phase 3 top-line data (2017)
- Report results from ongoing NCI-sponsored Phase 2 clinical trials.

Read more

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

CV301

- Immunotherapy candidate for multiple cancers
- Collaboration with NCI
- Phase 1/2 trial in non-small cell lung cancer planned for initiation in 2016

CV301 targets two tumor-associated antigens, CEA and MUC-1, which are over-expressed in major cancer types, including lung, bladder and colorectal cancer. Similar to PROSTVAC, CV301 uses a prime/boost dosing schedule with MVA-BN as a priming dose, followed by multiple fowlpox boosts, and encodes the TRICOM costimulatory molecules. A precursor version of CV301 has been tested in six NCI-sponsored clinical trials in various cancers, and a Phase 2 study in bladder cancer is currently ongoing. More than 300 patients have been treated with the product candidate.

As part of a refocused strategy towards developing CV301 as combination treatment with checkpoint inhibitors, a clinical trial in combining CV301 with OPDIVO® (nivolumab) from Bristol-Myers Squibb will begin in the fall of 2016. The study will enroll patients with non-small cell lung cancer (NSCLC) who have failed prior therapy.

The trial will begin with a Phase 1 safety component, enrolling up to 40 patients; the Phase 2 portion of the study will enroll 120 patients who will be randomized to receive either nivolumab (monotherapy) or a combination of CV301 and nivolumab. The study will enroll patients from up to 20 clinical sites throughout the United States. Detailed information on the trial can be found at http://clinicaltrials.gov/ct2/show/NCT02840994.

While the primary endpoint of the study is overall survival, numerous secondary endpoints including response rate, progression free survival and duration of response will be evaluated and offer the potential for an early efficacy signal, prior to an overall survival endpoint.

While NSCLC represents the first clinical target, additional Phase 2 trials are planned for evaluating CV301 in combination with checkpoint inhibitors. Both bladder cancer and colorectal cancer are currently under evaluation as potential indications.

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

- In August, Bavarian Nordic entered a drug supply agreement with Bristol-Myers Squibb, providing nivolumab for the upcoming clinical trial of CV301 as combination therapy in non-small cell lung cancer.

Anticipated developments

- Initiate a Phase 2 study of CV301 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 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

Christopher R. Heery, M.D. appointed Chief Medical Officer

In September, Christopher R. Heery, M.D. was appointed Chief Medical Officer of Bavarian Nordic. In this role, Dr. Heery will oversee the clinical development of the Company's infectious disease and immuno-oncology portfolio. In conjunction with the hiring of Dr. Heery, a new office will be established on the U.S. east coast. This will position the Company's U.S. operations where most of Bavarian Nordic's collaboration partners are located. The current operations in Redwood City, CA will relocate to the new offices.

Most recently, Dr. Heery was Director of the Clinical Trials Group of the Laboratory of Tumor Immunology and Biology at the National Cancer Institute (NCI). He joined the NCI Medical Oncology Branch as a Medical Oncology Fellow in 2009 and also served as an Adjunct Appointment in the Genitourinary Malignancies Branch. He was also part of the larger effort of the Laboratory of Tumor Immunology and Biology to create new immunotherapies for the treatment of cancer.

Dr. Heery is board certified in Medical Oncology and Internal Medicine and received his M.D. from East Carolina University Brody School of Medicine in 2006. He completed his internal medicine residency at the University of Illinois at Chicago in 2009. Dr. Heery received his undergraduate degree from Duke University.

Dr. Heery will report to Paul Chaplin, CEO, however his appointment does not change the current composition of Bavarian's Nordic Executive Management.

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

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.

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.

In May, the Company issued 92,500 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: 10,000 shares at DKK 54.10 and 82,500 shares at DKK 59.10.The total proceeds to Bavarian Nordic amounted to DKK 5.4 million.

In August, the Company issued 5,848 new shares as a consequence of employees' exercise of warrants. The shares were subscribed for in cash at DKK 54.00 per share of nominally DKK 10: The total proceeds to Bavarian Nordic amounted to DKK 0.3 million.

Consequently, at September 30, 2016, the Company's share capital amounts to DKK 309,340,600, which is made up of 30,934,060 shares with a nominal value of DKK 10 each. There were 1,469,216 outstanding warrants, which entitle warrant holders to subscribe for 1,469,216 shares with a nominal value of DKK 10 each. Thus the fully diluted share capital amounted to DKK 32,403,276 at September 30, 2016.

Financial calendar 2017

March 15, 2017
2016 Annual Report

April 25, 2017
Annual General Meeting
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 Wednesday, March 15, 2017.

May 4, 2017
First quarterly report (Q1) for the three-month period ended 31 March 2017

August 25, 2017
Half-year report (Q2) for the six-month period ended 30 June 2017

November 8, 2017
Third quarterly report (Q3) for the nine-month period ended 30 September 2017

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 September 30, 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 September 30, 2016 and the results of the group's activities and cash flows for the period January 1 to September 30, 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, November 9, 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	1/7 - 30/9 2016	1/7 - 30/9 2015	1/1 - 30/9 2016	1/1 - 30/9 2015	1/1-31/12 2015
Income statements					
Revenue	452,297	79,100	591,412	703,015	1,020,561
Production costs	145,097	43,542	192,304	245,678	415,138
Research and development costs	130,990	77,663	324,426	296,848	386,811
Distribution costs	9,391	5,573	28,088	32,998	42,272
Administrative costs	41,985	34,851	128,547	125,249	174,786
Income before interest and taxes (EBIT)	124,834	(82,529)	(81,953)	2,242	1,554
Financial items, net	1,076	(4,518)	3,456	58,225	76,075
Income before company tax	125,910	(87,047)	(78,497)	60,467	77,629
Net profit for the period	97,818	(49,625)	(56,717)	57,111	59,426
Balance sheet					
Total non-current assets			584,413	552,743	585,005
Total current assets			1,998,508	1,586,396	1,404,258
Total assets			2,582,921	2,139,139	1,989,263
Equity			1,914,596	1,302,663	1,342,479
Non-current liabilities			55,605	49,873	56,550
Current liabilities			612,720	786,603	590,234
Cash flow statements					
Securities, cash and cash equivalents			1,254,523	1,233,914	1,058,204
Cash flow from operating activities			(374,085)	269,969	105,323
Cash flow from investment activities			(417,496)	(238,467)	(178,123)
- Investment in intangible assets			(34,951)	(16,930)	(28,269)
- Investment in property, plant and equipment			(27,920)	(12,620)	(31,652)
Cash flow from financing activities			628,864	16,319	26,569
Financial Ratios (DKK) [1)]					
Earnings (basic) per share of DKK 10			(1.9)	2.1	2.1
Net asset value per share			61.9	46.8	47.9
Share price at period-end			250	264	358
Share price/Net asset value per share			4.0	5.6	7.5
Number of outstanding shares at period-end			30,934	27,834	28,020
Equity share			74%	61%	67%
Number of employees, converted to full-time, at period-end			437	408	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 September 30, 2016 and 2015

DKK thousand	Note	1/7 - 30/9 2016	1/7 - 30/9 2015	1/1 - 30/9 2016	1/1 - 30/9 2015	1/1-31/12 2015
Revenue	3	452,297	79,100	591,412	703,015	1,020,561
Production costs	4	145,097	43,542	192,304	245,678	415,138
Gross profit		**307,200**	**35,558**	**399,108**	**457,337**	**605,423**
Research and development costs	5	130,990	77,663	324,426	296,848	386,811
Distribution costs		9,391	5,573	28,088	32,998	42,272
Administrative costs		41,985	34,851	128,547	125,249	174,786
Total operating costs		**182,366**	**118,087**	**481,061**	**455,095**	**603,869**
Income before interest and tax (EBIT)		**124,834**	**(82,529)**	**(81,953)**	**2,242**	**1,554**
Financial income	6	4,624	2,941	18,566	78,853	99,357
Financial expenses	7	3,548	7,459	15,110	20,628	23,282
Income before company tax		**125,910**	**(87,047)**	**(78,497)**	**60,467**	**77,629**
Tax on income for the period		28,092	(37,422)	(21,780)	3,356	18,203
Net profit for the period		**97,818**	**(49,625)**	**(56,717)**	**57,111**	**59,426**
Earnings per share (EPS) - DKK						
Basic earnings per share of DKK 10		3.3	(1.8)	(1.9)	2.1	2.1
Diluted earnings per share of DKK 10		3.2	(1.8)	(1.9)	2.1	2.1

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Periods Ended September 30, 2016 and 2015

DKK thousand	1/7 - 30/9 2016	1/7 - 30/9 2015	1/1 - 30/9 2016	1/1 - 30/9 2015	1/1-31/12 2015
Net profit for the period	**97,818**	**(49,625)**	**(56,717)**	**57,111**	**59,426**
Items that might be reclassified to the income statement:					
Exchange rate adjustments on translating foreign operations	1,509	449	7,558	(32,152)	(38,371)
Fair value of financial instruments entered into to hedge future cash flow:					
Fair value adjustment for the period	(15)	-	(5,382)	-	-
Fair value adjustment transferred to revenue	4,667	-	4,667	-	-
Fair value adjustment transferred to financial items	(701)		(701)		
Tax on other comprehensive income	(869)	-	312	-	-
Other comprehensive income after tax	**4,591**	**449**	**6,454**	**(32,152)**	**(38,371)**
Total comprehensive income	**102,409**	**(49,176)**	**(50,263)**	**24,959**	**21,055**

Unaudited Condensed Consolidated Statements of Financial Position - Assets as of September 30, 2016 and 2015 and December 31, 2015

DKK thousand	Note	30/9 2016	30/9 2015	31/12 2015
Assets				
Software		5,807	3,740	3,194
IMVAMUNE development project		83,555	90,882	100,500
Intangible assets in progress		13,736	2,245	4,495
Intangible assets		**103,098**	**96,867**	**108,189**
Land and buildings		206,579	217,015	218,610
Leasehold improvements		756	678	402
Plant and machinery		60,137	58,214	53,562
Fixtures and fittings, other plant and equipment		18,463	17,878	19,358
Assets under construction		36,577	24,912	33,828
Property, plant and equipment		**322,512**	**318,697**	**325,760**
Other receivables		1,069	892	914
Financial assets		**1,069**	**892**	**914**
Deferred tax assets		**157,734**	**136,287**	**150,142**
Total non-current assets		**584,413**	**552,743**	**585,005**
Development projects for sale		**70,069**	**66,843**	**70,069**
Inventories	8	**153,397**	**154,113**	**91,002**
Trade receivables		495,253	88,900	137,927
Tax receivables		-	4,499	4,174
Other receivables	9	18,760	13,519	19,652
Prepayments		6,506	24,608	23,230
Receivables		**520,519**	**131,526**	**184,983**
Securities		1,045,190	771,569	684,141
Cash and cash equivalents		209,333	462,345	374,063
Securites, cash and cash equivalents		**1,254,523**	**1,233,914**	**1,058,204**
Total current assets		**1,998,508**	**1,586,396**	**1,404,258**
Total assets		**2,582,921**	**2,139,139**	**1,989,263**

Unaudited Condensed Consolidated Statements of Financial Position - Equity and Liabilities as of September 30, 2016 and 2015 and December 31, 2015

DKK thousand	Note	30/9 2016	30/9 2015	31/12 2015
Equity and liabilities				
Share capital		309,341	278,344	280,197
Treasury shares		(111)	-	-
Retained earnings		1,615,055	1,052,132	1,066,558
Other reserves		(9,689)	(27,813)	(4,276)
Equity		**1,914,596**	**1,302,663**	**1,342,479**
Provisions		25,226	18,057	25,226
Debt to credit institutions		30,379	31,816	31,324
Non-current liabilities		**55,605**	**49,873**	**56,550**
Debt to credit institutions		2,136	1,956	1,969
Prepayment from customers	10	461,536	613,116	405,789
Trade payables		45,909	51,557	69,574
Company tax		1,178	43	621
Provisions		-	2,471	570
Other liabilities	11	101,961	117,460	111,711
Current liabilities		**612,720**	**786,603**	**590,234**
Total liabilities		**668,325**	**836,476**	**646,784**
Total equity and liabilities		**2,582,921**	**2,139,139**	**1,989,263**

Unaudited Condensed Consolidated Statements of Cash Flow for the Periods Ended September 30, 2016 and 2015 and December 31, 2015

DKK thousand	1/1 - 30/9 2016	1/1 - 30/9 2015	1/1-31/12 2015
Net profit for the period	**(56,717)**	**57,111**	**59,426**
Adjustment for non-cash items:			
Financial income	(18,566)	(78,853)	(99,357)
Financial expenses	15,110	20,628	23,282
Tax on income for the period	(21,780)	3,356	18,203
Depreciation, amortization and impairment losses	32,833	32,651	43,525
Expensing (amortization) of IMVAMUNE development project	38,331	2,692	2,694
Share-based payment	12,248	15,712	26,746
Changes in development projects for sale	-	(39,918)	(41,656)
Changes in inventories	(62,395)	(32,266)	30,845
Changes in receivables	(335,569)	49,532	28,017
Changes in provisions	(570)	(2,140)	(878)
Changes in current liabilities	34,577	229,004	(12,470)
Cash flow from operations (operating activities)	**(362,498)**	**257,509**	**78,377**
Received financial income	11,652	32,255	43,742
Paid financial expenses	(18,772)	(2,181)	(2,935)
Paid company taxes	(4,467)	(17,614)	(13,861)
Cash flow from operating activities	**(374,085)**	**269,969**	**105,323**
Investments in and additions to intangible assets	(34,951)	(16,930)	(28,269)
Investments in property, plant and equipment	(27,920)	(12,620)	(31,652)
Disposal of property, plant and equipment	-	-	1,200
Investments in/disposal of financial assets	(155)	(100)	(122)
Investments in securities	(597,429)	(616,279)	(734,557)
Disposal of securities	242,959	407,462	615,277
Cash flow from investment activities	**(417,496)**	**(238,467)**	**(178,123)**
Payment on mortgage and construction loan	(33,824)	(1,406)	(1,885)
Proceeds from mortgage loan	32,515	-	-
Proceeds from warrant programs exercised	8,259	17,821	28,595
Proceeds from private placement	664,800	-	-
Cost related to issue of new shares	(40,037)	(96)	(141)
Purchase of treasury shares	(2,849)	-	-
Cash flow from financing activities	**628,864**	**16,319**	**26,569**
Cash flow of the period	**(162,717)**	**47,821**	**(46,231)**
Cash as of 1 January	374,063	398,357	398,357
Currency adjustments 1 January	(2,013)	16,167	21,937
Cash end of period	**209,333**	**462,345**	**374,063**

Unaudited Condensed Consolidated Statements of Changes in Equity for the Periods Ended September 30, 2016 and 2015

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, 2016	**280,197**	**-**	**1,066,558**	**(73,556)**	**-**	**69,280**	**1,342,479**
Comprehensive income for the period							
Net profit	-	-	(56,717)	-	-	-	(56,717)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	7,558	-	-	7,558
Fair value of financial instruments	-	-	-	-	(1,104)	-	(1,104)
Total comprehensive income for the period	**-**	**-**	**(56,717)**	**7,558**	**(1,104)**	**-**	**(50,263)**
Transactions with owners							
Share-based payment	-	-	-	-	-	15,863	15,863
Warrant program exercised	1,444	-	8,761	-	-	(1,946)	8,259
Warrant program expired	-	-	120	-	-	(120)	-
Capital increase through private placement	27,700	-	637,100	-	-	-	664,800
Cost related to issue of new shares	-	-	(40,037)	-	-	-	(40,037)
Purchase of treasury shares	-	(111)	(730)	-	-	(2,008)	(2,849)
Tax related to items recognized directly in equity	-	-	-	-	-	(23,656)	(23,656)
Total transactions with owners	**29,144**	**(111)**	**605,214**	**-**	**-**	**(11,867)**	**622,380**
Equity as of September 30, 2016	**309,341**	**(111)**	**1,615,055**	**(65,998)**	**(1,104)**	**57,413**	**1,914,596**

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, 2015	**276,712**	**-**	**972,321**	**(35,185)**	**-**	**38,246**	**1,252,094**
Comprehensive income for the period							
Net profit	-	-	57,111	-	-	-	57,111
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	(32,152)	-	-	(32,152)
Total comprehensive income for the period	**-**	**-**	**57,111**	**(32,152)**	**-**	**-**	**24,959**
Transactions with owners							
Share-based payment	-	-	-	-	-	7,885	7,885
Warrant program exercised	1,631	-	22,661	-	-	(6,471)	17,821
Warrant program expired	-	-	136	-	-	(136)	-
Cost related to issue of new shares	-	-	(96)	-	-	-	(96)
Total transactions with owners	**1,631**	**-**	**22,701**	**-**	**-**	**1,278**	**25,610**
Equity as of September 30, 2015	**278,343**	**-**	**1,052,133**	**(67,337)**	**-**	**39,524**	**1,302,663**

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 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	1/7 - 30/9 2016	1/7 - 30/9 2015	1/1 - 30/9 2016	1/1 - 30/9 2015	1/1-31/12 2015
3. Revenue					
IMVAMUNE sale	423,113	170	435,896	77,592	77,813
Other product sale	-	17,608	-	518,908	762,054
Sale of goods	423,113	17,778	435,896	596,500	839,867
IMVAMUNE sale, development results	-	-	80,746	-	-
Contract work	29,184	61,322	74,770	106,515	180,694
Sale of services	29,184	61,322	155,516	106,515	180,694
Revenue	**452,297**	**79,100**	**591,412**	**703,015**	**1,020,561**
Total revenue includes:					
Fair value adjustment transferred from other comprehensive income concerning financial instruments entered into to hedge USD revenue from IMVAMUNE sale	-	-	(4,667)	-	-
4. Production costs					
Cost of goods sold, IMVAMUNE sale	92,627	14	94,428	20,497	20,511
Cost of goods sold, other product sale	-	3,532	-	122,829	171,209
Contract costs	12,533	27,975	39,850	55,680	108,678
Other production costs	39,937	12,021	58,026	46,672	114,740
Production costs	**145,097**	**43,542**	**192,304**	**245,678**	**415,138**
5. Research and development costs					
Research and development costs occured in the period	112,602	108,098	347,330	365,053	517,632
Of which:					
Contract costs recognized as production costs	(12,533)	(27,975)	(39,850)	(55,680)	(108,678)
Capitalized development costs	(7,229)	(2,640)	(21,385)	(15,217)	(24,837)
	92,840	77,483	286,095	294,156	384,117
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	38,150	180	38,331	2,692	2,694
Research and development costs	**130,990**	**77,663**	**324,426**	**296,848**	**386,811**
6. Financial income					
Interest income	20	-	272	-	38
Interest income from financial assets not measured at fair value in the income statement	20	-	272	-	38
Financial income from securities	4,264	4,172	11,278	11,423	14,959
Fair value adjustments on securities	(361)	-	6,315	-	-
Net gains on derivative financial instruments at fair value in the income statement	701	(757)	701	14,577	17,402
Net foreign exchange gains	-	(474)	-	52,853	66,958
Financial income	**4,624**	**2,941**	**18,566**	**78,853**	**99,357**

DKK thousand	1/7 - 30/9 2016	1/7 - 30/9 2015	1/1 - 30/9 2016	1/1 - 30/9 2015	1/1-31/12 2015
7. Financial expenses					
Interest expenses on debt	1,401	577	2,709	1,999	2,676
Interest expenses on financial liabilities not measured at fair value in the income statement	1,401	577	2,709	1,999	2,676
Fair value adjustments on securities	-	7,031	-	18,778	16,749
Adjustment of net present value of provisions	-	(149)	-	(149)	3,857
Net foreign exchange losses	2,147	-	12,401	-	-
Financial expenses	**3,548**	**7,459**	**15,110**	**20,628**	**23,282**

DKK thousand	30/9 2016	30/9 2015	31/12 2015
8. Inventories			
Raw materials and supply materials	38,481	29,122	31,785
Work in progress	208,140	168,648	135,589
Manufactured goods and commodities	10,900	14,011	13,517
Write-down on inventory	(104,124)	(57,668)	(89,889)
Inventories	**153,397**	**154,113**	**91,002**
Write-down on inventory 1 January	(89,889)	(45,891)	(45,891)
Write-down during the period	(14,439)	(11,777)	(46,733)
Use of write-down	-	-	2,735
Reversal of write-down	204	-	-
Write-down end of period	**(104,124)**	**(57,668)**	**(89,889)**
9. Other receivables			
Receivable VAT and duties	9,873	4,425	8,581
Accrued interest	8,887	8,975	8,272
Other receivables	-	119	2,799
Other receivables	**18,760**	**13,519**	**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	631,158	631,158
Repaid during the year	-	-	(21,135)
Recognized as income during the period	(9,124)	(393,232)	(579,424)
Prepayments from customers end of period	**461,536**	**613,116**	**405,789**
11. Other liabilities			
Financial instruments at fair value	5,381	-	-
Liability relating to phantom shares	16,847	10,857	20,490
Payable salaries, holiday accrual etc.	53,316	57,513	56,238
Other accrued costs	26,417	49,090	34,983
Other liabilities	**101,961**	**117,460**	**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 September 30, 2016

DKK thousand	Level 1	Level 2	Total
Securities	1,045,190	-	1,045,190
Financial assets measured at fair value in the income statement	**1,045,190**	**-**	**1,045,190**
Derivative financial instruments to hedge future cash flow (currency)	-	1,415	1,415
Financial liabilities used as hedging instruments	**-**	**1,415**	**1,415**
Derivative financial instruments at fair value in the income statement (currency)	-	3,966	3,966
Financial liabilities measured at fair value in the income statement	**-**	**3,966**	**3,966**

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 September 30, 2016

	Outstanding as of January 1	Addition during the period	Options exercised	Annulled	Terminated	Trans-ferred	Outstanding as of Sep-tember 30
Board of Directors	50,000	-	(10,000)	-	-	-	40,000
Corporate Management	269,802	-	-	-	-	-	269,802
Other employees	877,200	-	(70,894)	(6,000)	-	(61,000)	739,306
Retired employees	427,603	-	(63,495)	-	(5,000)	61,000	420,108
Total	**1,624,605**	**-**	**(144,389)**	**(6,000)**	**(5,000)**	**-**	**1,469,216**
Weighted average exercise price	**148**	**-**	**57**	**367**	**54**	**-**	**157**
Weighted average share price at exercise	**-**	**-**	**250**	**-**	**-**	**-**	**-**

Numbers of warrants which can be exercised as of September 30, 2016	169,114
at a weighted average exercise price of DKK	59

The total recognized cost of the warrant programs was DKK 13.7 million in the first nine months of 2016 (DKK 7.9 million).

Specification of parameters for Black-Scholes model

DKK	May 2012	Aug 2012	Feb 2013	Aug 2013	Dec 2013	Aug 2014	Dec 2015
Average share price	43.30	52.00	45.50	68.00	82.00	117.50	334.00
Average exercise price at grant	54.00	59.10	55.00	73.90	96.50	131.40	366.85
Expected volatility rate	52.5%	50.0%	28.3%	36.4%	35.4%	39.7%	53.8%
Expected life (years)	3.3	3.3	3.1	3.3	3.3	3.3	3.3
Expected dividend per share	-	-	-	-	-	-	-
Risk-free interest rate p.a.	0.31%	-0.09%	0.22%	0.78%	0.74%	0.63%	0.25%
Fair value at grant [1)]	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 October, a Phase 2 clinical trial of MVA-BN RSV was initiated.

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 November 9, 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.