Interim Financial Report

for the Period January 1 to March 31, 2017

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

Management Commentary

Financial Statement for the Period January 1 – March 31, 2017

Financial statements are un-audited. Comparison figures for the same period 2016 are stated in parentheses.

- Revenue generated for the three months ending March 31, 2017 was DKK 198 million (DKK 23 million)
- The income before interest and tax (EBIT) was a loss of DKK 3 million (loss of DKK 153 million).
- As of March 31, 2017 the Group's cash preparedness was DKK 2,448 million (DKK 1,365 million), including unutilized credit lines of DKK 392 million (DKK 393 million).

Revenue generated for the three months ending March 31, 2017 was DKK 198 million (DKK 23 million). Revenue was composed of DKK 185 million (DKK 0 million) from the sale of IMVAMUNE bulk drug substance to U.S. Government and DKK 12 million (DKK 15 million) from contract work. For the same period in 2016 sale of IMVAMUNE final drug product to other customers amounted to DKK 8 million.

The production costs totaled DKK 50 million (DKK 19 million). Costs related directly to revenue amounted to DKK 49 million (DKK 11 million). Other production costs totaled DKK 1 million (DKK 8 million).

Research and development costs totaled DKK 100 million (DKK 104 million).

Distribution costs totaled DKK 9 million (DKK 7 million) and administrative costs totaled DKK 42 million (DKK 45 million).

The income before interest and tax (EBIT) was a loss of DKK 3 million (loss of DKK 153 million).

Financial items totaled a net expense of DKK 3 million (net expense of DKK 16 million). Net income from securities amounted to DKK 2 million (DKK 6 million), interest expenses on debt amounted to DKK 1 million (DKK 1 million), net gains on derivative financial instruments amounted to DKK 10 million (DKK 0 million) and negative exchange rate adjustments amounted to DKK 14 million (DKK 21 million).

Income before company tax was a loss of DKK 6 million (loss of DKK 169 million).

Tax on income was DKK 0 million (income of DKK 40 million), corresponding to an effective tax rate of 3.2%. The low tax rate is due to non-recognition of deferred tax asset on current year losses in foreign subsidiaries.

For the first three months of 2017, Bavarian Nordic reported a net loss of DKK 6 million (net loss of DKK 129 million), which is in line with the expectations.

Inventories have increased by DKK 40 million compared to December 31, 2016. The increase is related to the production of IMVAMUNE bulk drug substance for the U.S. Government.

Securities, cash and cash equivalents increased by DKK 156 million compared to December 31, 2016. Trade receivables only amounted to DKK 13 million as of March 31, 2017.

Prepayment from customers have increased by DKK 105 million compared to December 31, 2016 as US Government prepay for the production of IMVAMUNE bulk drug substance under the second supply order. Prepayments take place in concurrence with initiation of each batch production.

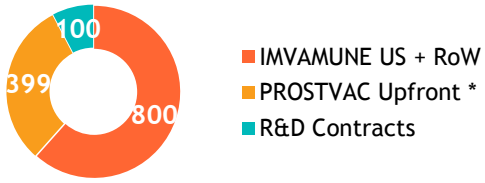
As of March 31, 2017 the Group's cash preparedness was DKK 2,448 million (DKK 1,365 million), including unutilized credit lines of DKK 392 million (DKK 393 million). Cash flow contribution from operating activities was DKK 167 million (spend DKK 67 million), mainly driven by payments of trade receivables. Cash flow spend on investment activities was DKK 15 million (DKK 120 million). Net investment in securities amounted to DKK 7 million (DKK 110 million). Cash flow from financing activities contributed with DKK 6 million (DKK 2 million) related to warrant exercise. The net change in cash and cash equivalents was DKK 158 million (DKK -185 million).

The Group's equity as of March 31, 2017 stood at DKK 2,040 million (DKK 1,212 million).

Financial Expectations

The Company maintains its 2017 full-year financial expectations with revenue of approximately DKK 1,300 million and a profit before interest and tax (EBIT) of approximately DKK 350 million. The cash preparedness at year-end is expected to be approximately DKK 2,400 million. Cash preparedness includes cash, cash equivalents, investments in securities and the aggregate amount of undrawn credit lines. This includes a EUR 50 million unsecured loan from the European Investment Bank, which the Company anticipates drawing on.

Expected revenues in 2017, DKK million



** Recognition of the PROSTVAC upfront payment as revenue is based upon the assumption that we provide Bristol-Myers Squibb with top-line PROSPECT (Phase 3) data in the second half of 2017.*

Total research and development costs of approximately DKK 425 million are expected, primarily related to the conclusion of the PROSPECT study, the ongoing RSV Phase 2 study, finalization of the IMVAMUNE liquid-frozen Phase 3 study, and the ongoing CV301 proof of concept study in lung cancer.

DKK million	
Research and development costs to occur	425
Of which:	
Contract costs recognized as production costs	(45)
Capitalized development costs	(10)
	370
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	70
Research and development costs to be recognized in the income statement	**440**

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 41 “Risk Management” in the 2016 annual report.

Since the publication of the 2016 annual report, the overall risk profile of the Company remains unchanged.

Product Pipeline

"Our pipeline is a reflection of our dedicated employees and collaborators who share a common goal: To develop innovative and safe therapies against cancer and infectious diseases to improve the health and quality of life for children and adults."

Our pipeline comprises multiple product candidates which are subject to more than 20 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/Phase 3 *	Bavarian Nordic
IMVAMUNE *freeze-dried*	Smallpox	Phase 2	Bavarian Nordic
MVA-BN Filo *monovalent*	Ebola	Phase 3**	Janssen
MVA-BN Filo *multivalent*	Ebola/Marburg	Phase 1	Janssen
MVA-BN RSV	Respiratory Syncytial Virus	Phase 2	Bavarian Nordic
MVA-BN HPV	Chronic HPV Infection	Preclinical	Janssen
CANCER IMMUNOTHERAPY			
PROSTVAC *monotherapy*	Prostate cancer (mCRPC)	Phase 3	Bristol-Myers Squibb
PROSTVAC *combinations*	Prostate cancer (localized and metastatic)	Phase 2***	Bristol-Myers Squibb
CV301 + nivolumab	Lung cancer (NSCLC)	Phase 2	Bavarian Nordic
MVA-BN Brachyury	Solid Tumors	Phase 1	Bavarian Nordic

* *Approved in Canada and the European Union (marketed as IMVANEX® in the EU). Phase 3 ongoing in the U.S.*
** *Multiple Janssen-sponsored Phase 1, 2 and 3 clinical studies ongoing*
*** *Multiple investigator-sponsored Phase 2 clinical studies ongoing*

IMVAMUNE®

Non-replicating smallpox vaccine

IMVAMUNE is the only non-replicating smallpox vaccine approved in Europe for use in the general adult population (marketed under the trade name IMVANEX®). It has furthermore been approved in Canada for use in a public health emergency for adults who are contraindicated to replicating smallpox vaccines. The vaccine is available for governments for use under national emergency rules. 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, children, pregnant and nursing mothers 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 since 2003, through contracts with the National Institute of Allergy and Infectious Diseases (NIAID) of the National Institutes of Health (NIH) 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 technology platform for the development of medical countermeasures against other potential biological threats.

U.S. Stockpiling of IMVAMUNE

Our initial contract to supply 20 million doses of liquid-frozen IMVAMUNE to the U.S. Strategic National Stockpile (SNS) was completed in 2013. Subsequently, with completion in 2015, we have delivered 8 million doses to partly replenish the stockpile,

The U.S. Government has a long-term stated goal for stockpiling of sufficient non-replicating smallpox vaccine to protect 66 million people, representing 132 million doses of IMVAMUNE.

As part of this strategy, we were awarded a USD 95 million contract in 2009 to develop a freeze-dried formulation of IMVAMUNE, which was the first step by the U.S. Government to develop an improved formulation of IMVAMUNE to replace the liquid-frozen formulation currently stockpiled in the SNS. The freeze-dried formulation has a potential shelf life of 5+ years and would also simplify the storage and shipping logistics.

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 was/will be produced and recognized as revenue over the course of 2016 and 2017. As the R&D work to develop an improved freeze-dried formulation has been completed under the 2009 contract, a tender process is required before a new acquisition contract for freeze-dried IMVAMUNE can be negotiated, however it is our expectation that this contract will be awarded this year.

Anticipated developments

- Award of contract for freeze-dried IMVAMUNE from the U.S. Government
- Report results from Phase 3 non-inferiority study of IMVAMUNE and file for approval of liquid-frozen formulation
- Receipt of Priority Review Voucher from the FDA (post IMVAMUNE approval)

Read more

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

MVA-BN RSV

"RSV represents one of the most broadly underserved diseases we know today. With a death rate similar to that of influenza and no vaccines approved, our vaccine has been intelligently designed to protect individuals for the course of an entire RSV season."

RSV vaccine candidate in Phase 2 development

MVA-BN RSV is our 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 have shown that MVA-BN RSV induces a dual action 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 in 63 healthy adults, aged 18-65, were reported in May 2016, demonstrating that MVA-BN RSV was well tolerated and induced a significant increase 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 Bavarian Nordic initiated a Phase 2 dose finding study in 400 elderly subjects in October 2016 with anticipated results in 2017.

Progress report for the first quarter 2017 and up to the reporting date

- In February, updated Phase 1 data for MVA-BN RSV were reported. The 6 month analysis revealed that the antibody response induced by the vaccine candidate remained at similar levels as previously reported, demonstrating that MVA-BN RSV induced a durable immune response lasting at least 6 months; a period spanning a normal RSV season. Furthermore, additional T cell responses were reported, showing that MVA-BN RSV induced a strong (3-5 fold) booster response to all five RSV proteins included in the vaccine.

Anticipated developments

- Report Phase 2 results for MVA-BN RSV (2017)
- Select ideal dosing regimen and carry forward into second RSV season

- Establish meeting with FDA to determine appropriate registration pathway for elderly adults that have a high morbidity from RSV

Read more

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

MVA-BN Filo

Ebola vaccine candidate in Phase 3 development

MVA-BN Filo is a filovirus vaccine candidate, initially developed by Bavarian Nordic in collaboration with the NIAID. MVA-BN Filo contains the gene of the glycoproteins of Ebola Zaire, Ebola Sudan and Marburg virus, and therefore is designed to provide protection against the three most common causes of viral hemorrhagic fevers.

MVA-BN Filo is 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 with the goal of ultimately registering the vaccine.

Progress report for the first quarter 2017 and up to the reporting date

- In April, a large Phase 2 clinical trial was initiated in West Africa to evaluate the rapidity, intensity and duration of the immune responses generated by three different Ebola vaccination strategies, as well as their safety and tolerability, particularly in children. The Janssen/Bavarian Nordic Ebola vaccine candidate is one of the three strategies to be evaluated. The trial is led by the Partnership for Research on Ebola VACcination (PREVAC) - an international collaboration led by Inserm, the French National Institute of Health and Medical Research; the NIAID of the NIH in the U.S.; and the London School of Hygiene & Tropical Medicine.

Anticipated developments

- Finalize clinical development of prime-boost Ebola vaccine regimen with Janssen

Read more

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

MVA-BN HPV

Human papillomavirus (HPV) vaccine candidate in preclinical development

MVA-BN HPV is a new vaccine candidate, designed for Janssen as part of the development of a prime-boost vaccine regimen with Janssen's AdVac technology. The prime-boost vaccine is targeting HPV and represents a novel approach for early treatment and interception of HPV-induced cancers. The long-term goal is to develop a vaccine to treat chronic HPV infections as well as prevent precancerous stages of HPV-induced cancer.

A Phase 1 clinical study of the vaccine candidate is planned for initiation in 2017.

Anticipated developments

- Initiate Phase 1 study of MVA-BN HPV with Janssen

PROSTVAC

Prostate cancer immunotherapy candidate in late-stage Phase 3 development

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 19 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 worldwide option to license and commercialize PROSTVAC, a deal worth up to USD 975 million.

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 PROSPECT trial has been designed to potentially rule out the need for GM-CSF.

The study was fully enrolled in January 2015. 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.

The PROSPECT trial is designed to detect a difference in survival between active treatment and placebo at final analysis, which will occur at 534 events (deaths) in each comparison of the two treatment arms versus placebo. 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 overall survival (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 after 427 events and is anticipated around mid-2017 and final results are expected in the second half of 2017. 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:

Unless otherwise indicated, studies are sponsored by the NCI.

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	Enrolling
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*	Metastatic castration-resistant prostate cancer	Phase 2 76 patients	Fully enrolled
PROSTVAC ***	Metastatic castration-resistant prostate cancer	Phase 3 1,297 patients	Fully enrolled

* Sponsor: University of California, San Francisco
** Sponsor: Medical University of South Carolina
*** Sponsor: Bavarian Nordic

Progress report for the first quarter 2017 and up to the reporting date

- In April, a Phase 2 combination study of PROSTVAC, ipilimumab and nivolumab was initiated at the NCI.

Anticipated developments

- Report Phase 3 interim #3 and top-line results for PROSTVAC (2017)
- Bristol-Myers Squibb to decide on PROSTVAC license
- Results from ongoing Phase 2 trials with NCI

Read more

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

CV301

"The broad potential of CV301 to attack many different solid tumors, especially in those tumors where we know checkpoint inhibitors to be showing an effect, gives us great confidence that we can help enhance the response rate of these patients, and cure even more patients."

Immunotherapy candidate in Phase 2 development for non-small cell lung cancer; bladder cancer study in the planning

CV301 is a novel immunotherapy candidate that targets two tumor-associated antigens, CEA and MUC-1, which are overexpressed in major cancer types. Similar to PROSTVAC, CV301 uses a prime/boost dosing schedule albeit using MVA-BN as a primer, followed by multiple fowlpox boosts, and encodes the TRICOM costimulatory molecules.

The development of CV301 focuses on combination treatments with other immune-modulating agents such as checkpoint inhibitors. The options for modulation of the immune system for cancer treatment are increasing and the development of CV301 will also evolve to take advantage of these options. From a functional standpoint, CV301 has the potential to be combined with most cancer immune modulators. We believe CV301 equips the immune system with the ability to seek out and destroy tumor cells. Preclinical data shows that CV301 has the potential to be highly synergistic with checkpoint inhibitors. CV301 upregulates PD-L1 by mounting an immune response against a tumor target. The upregulation of PD-L1 is a marker indicating the tumor is under attack from T-cells, presenting an opportunity for a greater response in patients who might otherwise not benefit from treatment with a checkpoint inhibitor alone.

Bavarian Nordic is sponsoring a proof of concept study (*MAGNI-lung-01)* which is currently ongoing in the U.S. In this study CV301 is tested in combination with OPDIVO® (nivolumab), a PD1 inhibitor to explore the safety and efficacy in non-small cell lung cancer patients who have failed a prior platinum-containing chemotherapy. OPDIVO is marketed by Bristol-Myers Squibb, who also provided the drug for the study.

The trial is designed with an initial safety component, enrolling up to 40 patients, and a randomized portion which will enroll 120 patients who will receive either nivolumab (monotherapy) or a combination of CV301 and nivolumab.

While the primary endpoint of the study is overall survival, numerous important secondary endpoints including objective 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.

Bavarian Nordic has also entered into a collaboration with Roche to evaluate the combination of CV301 and Tecentriq® (atezolizumab), Roche's FDA-approved PD-L1 inhibitor, in bladder cancer. Roche will provide the drug for the study, which is expected to be initiated around the end of 2017.

Progress report for the first quarter 2017 and up to the reporting date

- In March, a drug supply agreement was entered with Roche, providing Tecentriq® (atezolizumab) for a planned Phase 2 combination trial of CV301 in bladder cancer.

Anticipated developments

- Complete initial safety component and initiate randomized enrollment of Phase 2 combination trial of CV301 and nivolumab in lung cancer (2017)
- Initiation of Phase 2 combination study of CV301 and atezolizumab in bladder cancer
- Initiation of investigator-sponsored Phase 2 combination trials of CV301 and other immune-modulating agents in additional cancer indications

Read more

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

MVA-BN Brachyury

Immunotherapy candidate targeting the metastatic process. Phase 1 completed.

MVA-BN Brachyury is a novel cancer immunotherapy candidate, designed to induce a robust T-cell response against brachyury, a tumor-associated antigen that is overexpressed in major solid tumor indications, as well as several rare, ultra-orphan cancer 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.

Bavarian Nordic retains worldwide commercial rights to MVA-BN Brachyury in multiple cancer indications. The clinical development is sponsored by the NCI with whom we continue to work to evaluate the product candidate. Clinical Phase 2 studies are expected to be initiated in 2017.

Anticipated developments

- Initiation of NCI-sponsored Phase 2 trials of MVA-BN Brachyury (2017)

Read more

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

Other Developments

Henrik Birk appointed Chief Operating Officer of Bavarian Nordic

In January 2017, we strengthened our executive management with the appointment of Henrik Birk as Chief Operating Officer. Prior to joining Bavarian Nordic in 2008, Mr. Birk served in various management positions at Coloplast focusing on supply chain and production. Since joining Bavarian Nordic, he has served in positions of increasing responsibility, most recently as Senior Vice President, Strategy, People and Organization.

Mr. Birk has played an integral role in the establishment and management of the Company's strategic alliances with the U.S. Government as well as industry partners, but has also been a key driver in the organizational development over the years. His merits are a valuable contribution to the management, where he will continue to develop and lead the execution of Bavarian Nordic's operational and HR strategies.

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 69,700 new shares as a result of warrant exercise by employees. Hence, at March 31, 2017, the Company's share capital was DKK 314,235,460, comprising 31,423,546 shares with a nominal value of DKK 10 each. Each share carries one vote. There were 1,394,891 outstanding warrants, which entitle warrant holders to subscribe for 1,394,891 shares of DKK 10 each. Thus the fully diluted share capital amounted to DKK 328,184,370 at March 31, 2017.

Financial calendar 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 March 31, 2017.

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, 2017 and the results of the group's activities and cash flows for the period January 1 to March 31, 2017.

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 4, 2017

Corporate Management:

Paul John Chaplin
President and CEO

Ole Larsen
Executive Vice President & CFO

Board of Directors:

Gerard W.M. van Odijk
Chairman of the Board

Anders Gersel Pedersen
Deputy Chairman

Claus T. Bræstrup

Erik Gregers Hansen

Peter H. Kürstein-Jensen

Frank A.G.M. Verwiel

Elizabeth McKee Anderson

Financial Statements

Consolidated Key Figures (unaudited)

DKK thousand	1/1 - 31/3 2017	1/1 - 31/3 2016	1/1-31/12 2016
Income statements			
Revenue	197.696	22.558	1.006.742
Production costs	50.135	18.897	297.793
Research and development costs	100.299	104.310	463.169
Distribution costs	8.686	6.959	38.560
Administrative costs	41.695	45.137	174.213
Income before interest and taxes (EBIT)	(3.119)	(152.745)	33.007
Financial items, net	(3.133)	(16.489)	6.542
Income before company tax	(6.252)	(169.234)	39.549
Net profit for the period	(6.051)	(128.753)	30.600
Balance sheet			
Total non-current assets	534.524	613.956	541.131
Total current assets	2.347.042	1.248.654	2.282.567
Total assets	2.881.566	1.862.610	2.823.698
Equity	2.039.770	1.212.433	2.017.237
Non-current liabilities	54.131	56.035	54.663
Current liabilities	787.665	594.142	751.798
Cash flow statements			
Securities, cash and cash equivalents	2.056.394	972.026	1.899.897
Cash flow from operating activities	167.067	(66.756)	267.601
Cash flow from investment activities	(15.286)	(120.273)	(448.183)
- Investment in intangible assets	(4.320)	(13.314)	(43.709)
- Investment in property, plant and equipment	(3.730)	(6.551)	(47.810)
- Net investment in securities	(7.037)	(100.258)	(358.254)
Cash flow from financing activities	6.055	2.016	657.199
Financial Ratios (DKK) [1)]			
Earnings (basic) per share of DKK 10	(0,2)	(4,6)	1,0
Net asset value per share	64,9	43,2	64,3
Share price at period-end	354	245	249
Share price/Net asset value per share	5,5	5,7	3,9
Number of outstanding shares at period-end	31.424	28.066	31.354
Equity share	71%	65%	71%
Number of employees, converted to full-time, at period-end	441	418	437

[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, 2017 and 2016

DKK thousand	Note	1/1 - 31/3 2017	1/1 - 31/3 2016	1/1-31/12 2016
Revenue	3	197,696	22,558	1,006,742
Production costs	4	50,135	18,897	297,793
Gross profit		**147,561**	**3,661**	**708,949**
Research and development costs	5	100,299	104,310	463,169
Distribution costs		8,686	6,959	38,560
Administrative costs		41,695	45,137	174,213
Total operating costs		**150,680**	**156,406**	**675,942**
Income before interest and tax (EBIT)		**(3,119)**	**(152,745)**	**33,007**
Financial income	6	14,177	5,802	37,877
Financial expenses	7	17,310	22,291	31,335
Income before company tax		**(6,252)**	**(169,234)**	**39,549**
Tax on income for the period		(201)	(40,481)	8,949
Net profit for the period		**(6,051)**	**(128,753)**	**30,600**
Earnings per share (EPS) - DKK				
Basic earnings per share of DKK 10		(0.2)	(4.6)	1.0
Diluted earnings per share of DKK 10		(0.2)	(4.6)	1.0

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Periods Ended March 31, 2017 and 2016

DKK thousand	1/1 - 31/3 2017	1/1 - 31/3 2016	1/1-31/12 2016
Net profit for the period	**(6,051)**	**(128,753)**	**30,600**
Items that might be reclassified to the income statement:			
Exchange rate adjustments on translating foreign operations	5,711	13,784	(14,842)
Fair value of financial instruments entered into to hedge future cash flows	183	-	(259)
Tax on other comprehensive income	(40)	-	57
Other comprehensive income after tax	**5,854**	**13,784**	**(15,044)**
Total comprehensive income	**(197)**	**(114,969)**	**15,556**

Unaudited Condensed Consolidated Statements of Financial Position - Assets as of March 31, 2017 and 2016 and December 31, 2016

DKK thousand	Note	31/3 2017	31/3 2016	31/12 2016
Assets				
Software		8,617	5,519	5,165
IMVAMUNE development project		47,614	107,534	60,951
Intangible assets in progress		15,565	7,703	16,903
Intangible assets		**71,796**	**120,756**	**83,019**
Land and buildings		201,482	214,448	202,804
Leasehold improvements		1,293	367	678
Plant and machinery		56,806	49,583	54,903
Fixtures and fittings, other plant and equipment		22,832	18,458	19,057
Assets under construction		36,838	39,183	48,894
Property, plant and equipment		**319,251**	**322,039**	**326,336**
Other receivables		1,502	1,064	1,303
Financial assets		**1,502**	**1,064**	**1,303**
Deferred tax assets		**141,975**	**170,097**	**130,473**
Total non-current assets		**534,524**	**613,956**	**541,131**
Development projects for sale		**70,069**	**70,069**	**70,069**
Inventories	8	**186,820**	**114,717**	**146,983**
Trade receivables		13,099	51,405	130,391
Tax receivables		5,125	5,424	2,506
Other receivables	9	11,593	13,488	25,396
Prepayments		3,942	21,525	7,325
Receivables		**33,759**	**91,842**	**165,618**
Securities		1,051,226	787,018	1,046,301
Cash and cash equivalents		1,005,168	185,008	853,596
Securites, cash and cash equivalents		**2,056,394**	**972,026**	**1,899,897**
Total current assets		**2,347,042**	**1,248,654**	**2,282,567**
Total assets		**2,881,566**	**1,862,610**	**2,823,698**

Unaudited Condensed Consolidated Statements of Financial Position - Equity and Liabilities as of March 31, 2017 and 2016 and December 31, 2016

DKK thousand	Note	31/3 2017	31/3 2016	31/12 2016
Equity and liabilities				
Share capital		314,236	280,657	313,539
Treasury shares		(111)	-	(111)
Retained earnings		1,733,084	940,165	1,731,898
Other reserves		(7,439)	(8,389)	(28,089)
Equity		**2,039,770**	**1,212,433**	**2,017,237**
Provisions		24,949	25,226	24,949
Debt to credit institutions		29,182	30,809	29,714
Non-current liabilities		**54,131**	**56,035**	**54,663**
Debt to credit institutions		2,136	1,999	2,136
Prepayment from customers	10	635,206	468,917	530,645
Trade payables		42,126	35,429	71,958
Company tax		-	1,236	72
Other liabilities	11	108,197	86,561	146,987
Current liabilities		**787,665**	**594,142**	**751,798**
Total liabilities		**841,796**	**650,177**	**806,461**
Total equity and liabilities		**2,881,566**	**1,862,610**	**2,823,698**

Unaudited Condensed Consolidated Statements of Cash Flow for the Periods Ended March 31, 2017 and 2016 and December 31, 2016

DKK thousand	1/1 - 31/3 2017	1/1 - 31/3 2016	1/1-31/12 2016
Net profit for the period	**(6,051)**	**(128,753)**	**30,600**
Adjustment for non-cash items:			
Financial income	(14,177)	(5,802)	(37,877)
Financial expenses	17,310	22,291	31,335
Tax on income for the period	(201)	(40,481)	8,949
Depreciation, amortization and impairment losses	11,350	10,779	45,364
Expensing (amortization) of IMVAMUNE development project	15,054	162	68,785
Share-based payment	16,529	(3,328)	18,186
Adjustment for other non-cash items	-	-	2,825
Changes in inventories	(39,837)	(23,715)	(55,981)
Changes in receivables	132,396	94,687	20,711
Changes in provisions	-	(570)	(570)
Changes in current liabilities	54,209	13,633	126,237
Cash flow from operations (operating activities)	**186,582**	**(61,097)**	**258,564**
Received financial income	1,039	1,161	21,311
Paid financial expenses	(17,026)	(5,019)	(3,515)
Paid company taxes	(3,528)	(1,801)	(8,759)
Cash flow from operating activities	**167,067**	**(66,756)**	**267,601**
Investments in and additions to intangible assets	(4,320)	(13,314)	(43,709)
Investments in property, plant and equipment	(3,730)	(6,551)	(47,810)
Disposal of property, plant and equipment	-	-	1,979
Investments in/disposal of financial assets	(199)	(150)	(389)
Investments in securities	(133,127)	(118,944)	(784,230)
Disposal of securities	126,090	18,686	425,976
Cash flow from investment activities	**(15,286)**	**(120,273)**	**(448,183)**
Payment on mortgage and construction loan	(532)	(485)	(34,363)
Proceeds from mortgage loan	-	-	32,389
Proceeds from warrant programs exercised	6,612	2,526	37,305
Proceeds from private placement	-	-	664,800
Cost related to issue of new shares	(25)	(25)	(40,083)
Purchase of treasury shares	-	-	(2,849)
Cash flow from financing activities	**6,055**	**2,016**	**657,199**
Cash flow of the period	**157,836**	**(185,013)**	**476,617**
Cash as of 1 January	853,596	374,063	374,063
Currency adjustments 1 January	(6,264)	(4,042)	2,916
Cash end of period	**1,005,168**	**185,008**	**853,596**

Unaudited Condensed Consolidated Statements of Changes in Equity for the Periods Ended March 31, 2017 and 2016

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity
Equity as of January 1, 2017	**313,539**	**(111)**	**1,731,898**	**(88,398)**	**(202)**	**60,511**	**2,017,237**
Comprehensive income for the period							
Net profit	-	-	(6,051)	-	-	-	(6,051)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	5,711	-	-	5,711
Fair value of financial instruments	-	-	-	-	143	-	143
Total comprehensive income for the period	**-**	**-**	**(6,051)**	**5,711**	**143**	**-**	**(197)**
Transactions with owners							
Share-based payment	-	-	-	-	-	5,639	5,639
Warrant program exercised	697	-	7,062	-	-	(1,147)	6,612
Warrant program expired	-	-	200	-	-	(200)	-
Cost related to issue of new shares	-	-	(25)	-	-	-	(25)
Tax related to items recognized directly in equity	-	-	-	-	-	10,504	10,504
Total transactions with owners	**697**	**-**	**7,237**	**-**	**-**	**14,796**	**22,730**
Equity as of March 31, 2017	**314,236**	**(111)**	**1,733,084**	**(82,687)**	**(59)**	**75,307**	**2,039,770**

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	-	-	(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**

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 2016 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 2017	1/1 - 31/3 2016	1/1-31/12 2016
3. Revenue			
IMVAMUNE sale	185,349	7,844	831,783
Sale of goods	185,349	7,844	831,783
IMVAMUNE sale, development results	-	-	80,746
Contract work	12,347	14,714	94,213
Sale of services	12,347	14,714	174,959
Revenue	**197,696**	**22,558**	**1,006,742**
Total revenue includes:			
Fair value adjustment concerning financial instruments entered into to hedge revenue	-	-	(11,979)
4. Production costs			
Cost of goods sold, IMVAMUNE sale	42,511	1,633	171,517
Contract costs	6,787	9,171	52,747
Other production costs	837	8,093	73,529
Production costs	**50,135**	**18,897**	**297,793**
5. Research and development costs			
Research and development costs occured in the period	93,749	120,515	476,367
Of which:			
Contract costs recognized as production costs	(6,787)	(9,171)	(52,747)
Capitalized development costs	(1,717)	(7,196)	(29,236)
	85,245	104,148	394,384
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	15,054	162	68,785
Research and development costs	**100,299**	**104,310**	**463,169**
6. Financial income			
Financial income from bank and deposit contracts	29	-	272
Interest income from financial assets not measured at fair value in the income statement	29	-	272
Financial income from securities	4,267	3,262	15,640
Fair value adjustments on securities	-	2,540	3,542
Net gains on derivative financial instruments at fair value in the income statement	9,881	-	-
Net foreign exchange gains	-	-	18,423
Financial income	**14,177**	**5,802**	**37,877**

DKK thousand	1/1 - 31/3 2017	1/1 - 31/3 2016	1/1-31/12 2016
7. Financial expenses			
Interest expenses on debt	820	554	3,678
Interest expenses on financial liabilities not measured at fair value in the income statement	820	554	3,678
Fair value adjustments on securities	2,243	-	-
Adjustment of net present value of provisions	-	-	3,386
Net loss on derivative financial instruments at fair value in the income statement	-	-	24,271
Net foreign exchange losses	14,247	21,737	-
Financial expenses	**17,310**	**22,291**	**31,335**

DKK thousand	31/3 2017	31/3 2016	31/12 2016
8. Inventories			
Raw materials and supply materials	40,306	31,317	38,887
Work in progress	250,225	166,568	206,943
Manufactured goods and commodities	11,682	11,225	11,850
Write-down on inventory	(115,393)	(94,393)	(110,697)
Inventories	**186,820**	**114,717**	**146,983**
Write-down on inventory 1 January	(110,697)	(89,889)	(89,889)
Write-down during the period	(4,696)	(4,708)	(21,012)
Reversal of write-down	-	204	204
Write-down end of period	**(115,393)**	**(94,393)**	**(110,697)**
9. Other receivables			
Receivable VAT and duties	4,402	7,317	14,947
Accrued interest	7,191	6,171	10,449
Other receivables	**11,593**	**13,488**	**25,396**
10. Prepayment from customers			
Prepayments from customers as of January 1	530,645	405,789	405,789
Prepayments received during the period	167,731	64,871	142,655
Recognized as income during the period	(63,170)	(1,743)	(17,799)
Prepayments from customers end of period	635,206	**468,917**	**530,645**
11. Other liabilities			
Financial instruments at fair value	11,451	-	36,509
Liability relating to phantom shares	13,152	13,016	18,047
Payable salaries, holiday accrual etc.	51,221	45,209	60,698
Other accrued costs	32,373	28,336	31,733
Other liabilities	**108,197**	**86,561**	**146,987**

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, 2017

DKK thousand	Level 1	Level 2	Total
Securities	1,051,226	-	1,051,226
Financial assets measured at fair value through the income statement	**1,051,226**	**-**	**1,051,226**
Derivative financial instruments to hedge future cash flow (interest)	-	(76)	(76)
Financial liabilities used as hedging instruments	**-**	**(76)**	**(76)**
Derivative financial instruments at fair value through the income statement (currency)	-	(11,375)	(11,375)
Financial liabilities measured at fair value through the income statement	**-**	**(11,375)**	**(11,375)**

As of December 31, 2016

DKK thousand	Level 1	Level 2	Total
Securities	1,046,301	-	1,046,301
Financial assets measured at fair value through the income statement	**1,046,301**	**-**	**1,046,301**
Derivative financial instruments to hedge future cash flow (interest)	-	(259)	(259)
Financial liabilities used as hedging instruments	**-**	**(259)**	**(259)**
Derivative financial instruments at fair value through the income statement (currency)	-	(36,250)	(36,250)
Financial liabilities measured at fair value through the income statement	**-**	**(36,250)**	**(36,250)**

13. Incentive plans

Outstanding warrants as of March 31, 2017

	Outstanding as of January 1	Addition during the period	Options exercised	Annulled	Terminated	Trans-ferred	Outstanding as of March 31
Board of Directors	35,000	-	-	-	-	-	35,000
Corporate Management	318,702	-	-	-	-	-	318,702
Other employees	887,073	-	(7,000)	(4,550)	(1,500)	(6,856)	867,167
Retired employees	243,777	-	(62,700)	-	(13,911)	6,856	174,022
Total	**1,484,552**	**-**	**(69,700)**	**(4,550)**	**(15,411)**	**-**	**1,394,891**
Weighted average exercise price	**211**	**-**	**95**	**367**	**54**	**-**	**218**
Weighted average share price at exercise	**-**	**-**	**350**	**-**	**-**	**-**	**-**

Numbers of warrants which can be exercised as of March 31, 2017	177,817
at a weighted average exercise price of DKK	73

The total recognized cost of the warrant programs was DKK 3.8 million in the first three months of 2017 (DKK 4.1 million).

Specification of parameters for Black-Scholes model

DKK	Aug 2012	Feb 2013	Aug 2013	Dec 2013	Aug 2014	Dec 2015	Dec 2016
Average share price	52.00	45.50	68.00	82.00	117.50	334.00	222.50
Average exercise price at grant	59.10	55.00	73.90	96.50	131.40	366.85	260.20
Expected volatility rate	50.0%	28.3%	36.4%	35.4%	39.7%	53.8%	44.6%
Expected life (years)	3.3	3.1	3.3	3.3	3.3	3.3	3.0
Expected dividend per share	-	-	-	-	-	-	-
Risk-free interest rate p.a.	-0.09%	0.22%	0.78%	0.74%	0.63%	0.25%	-0.48%
Fair value at grant [1)]	16	6	16	17	29	115	54

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, 2016.

15. Significant events after the balance sheet date

There were no significant events after the balance sheet date.

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 4, 2017.

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.