BAVARIAN NORDIC

Company Announcement

Bavarian Nordic Announces Interim Results for the First Nine Months of 2017

COPENHAGEN, Denmark, November 8, 2017 – Bavarian Nordic A/S (OMX: BAVA, OTC: BVNRY) announced today its interim financial results in line with guidance for the first nine months of 2017 and business progress for the third quarter of 2017.

Third quarter highlights and subsequent events

- In October, the Canadian Department of National Defence exercised another option for the procurement of 20,000 doses of IMVAMUNE® smallpox vaccine, and has thereby exercised 80,000 doses to-date of the 180,000 doses in the on-going smallpox vaccine framework agreement.
- In September, Bavarian Nordic was awarded a contract valued at up to USD 539 million for supply of freeze-dried IMVAMUNE to the U.S. Government
- In September, preliminary follow up results from the Phase 2 study of MVA-BN® RSV were reported, showing that after six months, a persistent antibody response against RSV could still be observed. Concurrently, the Company announced its plans for initiating a human challenge trial in 2018
- In September, the PROSPECT Phase 3 study of PROSTVAC® as a monotherapy in metastatic prostate cancer was discontinued after recommendation from the independent Data Monitoring Committee that the study was unlikely to reach its primary endpoint of overall survival.
- In July, Bavarian Nordic and Janssen expanded their partnership with an additional worldwide license and collaboration agreement valued up to USD 879 million, granting Janssen the exclusive rights to Bavarian Nordic's MVA-BN® technology for vaccines against hepatitis B virus (HBV) and the human immunodeficiency virus (HIV-1). As part of the license agreement, Johnson & Johnson Innovation – JJDC, Inc. subscribed for 512,102 new shares in Bavarian Nordic in a private placement, raising gross proceeds of DKK 207.5 million.

Financial results

- Revenue generated for the nine months ending September 30, 2017 was DKK 1,329 million/USD 211 million (DKK 591 million/USD 94 million in the first nine months of 2016).
- The income before interest and tax (EBIT) was a gain of DKK 531 million/USD 84 million (loss of DKK 82 million/USD 13 million in the first nine months of 2016).
- As of September 30, 2017 the Group's cash preparedness was DKK 2,808 million/USD 445 million (DKK 1,647 million/USD 261 million as of September 30, 2016), including unutilized credit lines.

"While the stoppage of the PROSPECT study was a setback in our ambition to develop improved treatment options for patients, our belief in our platform and its capabilities remains as strong as ever. Our company continues to execute on our growth strategy and we continue to see the fruits of our labour, not only with the clinical advancements in RSV and with CV301, but also with the expansion of our partnerships with Janssen and the US Government, ensuring the future growth of the company." said Paul Chaplin, President & Chief Executive Officer of Bavarian Nordic.

Outlook for 2017 maintained

Bavarian Nordic maintains its financial expectations for 2017 as announced July 27, 2017. As only limited revenues are expected in the fourth quarter, the Company still expects revenues of approximately DKK 1,300 million/USD 206 million for the full year, earnings before interest and tax (EBIT) of approximately DKK 350 million/USD 56 million and a cash preparedness at year-end of approximately DKK 2,600 million/USD 412 million.

Danish kroner (DKK) is the Company's functional currency. All USD figures provided above are based upon an assumed exchange rate of DKK 6.30 per 1.00 USD, which was the exchange rate as of September 30, 2017.

Anticipated selected pipeline developments

Bavarian Nordic A/S Hejreskovvej 10A DK-3490 Kvistgård Tel. +45 33 26 83 83 CVR-no. 16 27 11 87 info@bavarian-nordic.com www.bavarian-nordic.com

H2 2017

- Initiate Phase 2 booster-study of MVA-BN RSV in subjects previously vaccinated in the earlier Phase 2 study last year
- Initiate Phase 2 of the combination of CV301 and KEYTRUDA in first line NSCLC
- Initiate Phase 1 fowlpox booster study of BN-Brachyury

H1 2018

- Report top-line results from Phase 3 non-inferiority study of IMVAMUNE
- Report results from MVA-BN RSV booster-study
- Initiate human challenge study of MVA-BN RSV
- Report Phase 1 results of combination of CV301 and OPDIVO
- Initiate Phase 2 study of the combination of CV301 and TECENTRIQ in bladder cancer
- Emerging results from investigator-sponsored Phase 2 combination trials of PROSTVAC
- Report results from Phase 1 booster study of BN-Brachyury

H2 2018

- End of Phase 2 meeting with FDA to determine registration pathway for MVA-BN RSV in elderly
- Report Phase 2 results (ORR) from combination of CV301 and KEYTRUDA in NSCLC
- Initiate Phase 2 study of BN-Brachyury in Chordoma
- Initiate Phase 2 study of BN-Brachyury in second indication

Conference call and webcast
The management of Bavarian Nordic will host a conference call today at 2 pm CET (8 am EST) to present the interim results followed by a Q&A session. A listen-only version of the call can be accessed via http://www.bavarian-nordic.com/investor/events.aspx?event=5051. To join the Q&A session, use one of the following dial-in numbers: Denmark: +45 32 71 16 60, UK: +44 (0) 20 3427 1911, USA: +1 646 254 3364. Participant code is 7659153.

Contacts

Rolf Sass Sørensen
Vice President Investor Relations (EU)
Tel: +45 61 77 47 43

Seth Lewis
Vice President Investor Relations (US)
Tel: +1 978 341 5271

Company Announcement no. 29 / 2017

About Bavarian Nordic
Bavarian Nordic is a fully integrated biotechnology company focused on the development of innovative and safe therapies against cancer and infectious diseases. Using our live virus vaccine platform technology, MVA-BN®, we have created a diverse portfolio of proprietary and partnered product candidates intended to improve the health and quality of life for children and adults. We supply our IMVAMUNE® non-replicating smallpox vaccine to the U.S. Strategic National Stockpile and other government stockpiles. The vaccine is approved in the European Union (under the trade name IMVANEX®) and in Canada. Registration studies are currently underway in the U.S. In addition to our long-standing collaboration with the U.S. government on the development of IMVAMUNE® and other medical countermeasures, our infectious disease pipeline comprises a proprietary RSV program as well as vaccine candidates for Ebola, HPV, HBV and HIV, which are developed through a strategic partnership with Janssen. Additionally, in collaboration with the National Cancer Institute, we have developed a portfolio of active cancer immunotherapies, designed to alter the disease course by eliciting a robust and broad anti-cancer immune response while maintaining a favorable risk-benefit profile. Through multiple industry collaborations, we seek to explore the potential synergies of combining our immunotherapies with other immune-modulating agents, e.g. checkpoint inhibitors. For more information visit www.bavarian-nordic.com or follow us on Twitter @bavariannordic.

Forward-looking statements
This announcement includes forward-looking statements that involve risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements. Forward-looking statements include statements concerning our plans, objectives, goals, future events, performance and/or other information that is not historical information. All such forward-looking statements are expressly qualified by these cautionary statements and any other cautionary statements which may accompany the forward-looking statements. We undertake no obligation to publicly update or revise forward-looking statements to reflect subsequent events or circumstances after the date made, except as required by law.

MANAGEMENT REVIEW

Product Pipeline
Our pipeline comprises multiple product candidates 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 corporate or governmental partnerships. Detailed information on our pipeline programs is available in Bavarian Nordic's annual report or on the Company's website: www.bavarian-nordic.com.

Clinical pipeline

Product	Indication	Status	Commercial Rights
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 2	Janssen
MVA-BN RSV	Respiratory Syncytial Virus	Phase 2	Bavarian Nordic
CV301 + *pembrolizumab*	Lung cancer (NSCLC)	Phase 1/2	Bavarian Nordic
CV301 + *atezolizumab*	Bladder cancer	Phase 2 planned	Bavarian Nordic
PROSTVAC *combinations*	Prostate cancer (localized and metastatic)	Phase 2	Bristol-Myers Squibb
BN-Brachyury	Solid tumors	Phase 1	Bavarian Nordic

Collaborations

Product	Indication	Status	Partner
MVA-BN HPV + AdVac	Chronic HPV infection	Preclinical	Janssen
MVA-BN HIV + AdVac	HIV-1	Preclinical	Janssen
MVA-BN HBV + AdVac	Hepatitis B	Preclinical	Janssen

** Approved in Canada and the European Union (marketed as IMVANEX® in the EU). Phase 3 ongoing in the U.S.*

IMVAMUNE® (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. IMVAMUNE is currently stockpiled in the U.S. Strategic National Stockpile (SNS) 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).

As part of the partnership with the U.S. Government, Bavarian Nordic is working towards the approval of IMVAMUNE in the U.S. The second and last Phase 3 study is currently being finalized and while results are now expected during first half of 2018, the anticipated approval timelines remain unaffected.

In September 2017, Bavarian Nordic was awarded a contract valued at up to USD 539 million for supply of freeze-dried IMVAMUNE from the Biomedical Advanced Research and Development Authority (BARDA), part of the Office of the Assistant Secretary for Preparedness and Response at the U.S. Department of Health and Human Services (HHS). The base contract includes an additional bulk supply order of USD 100 million, which will be produced and recognized as revenue over the course of 2018 and 2019. The contract further includes options valued at USD 299 million for filling and freeze-drying of the bulk vaccine from this contract and the previously awarded bulk supply orders, received in 2015 and 2016. Finally, the contract includes options valued at up to USD 140 million for clinical development, regulatory commitments, and parts of the establishment and validation of fill/finish activities as well as options to acquire additional vaccine bulk and/or freeze-dried doses of IMVAMUNE in the future.

To ensure the production capacity to secure the future IMVAMUNE stockpile at SNS, Bavarian Nordic will invest approximately USD 75 million in the construction of a fill/finish manufacturing line at its facility in Denmark. This strategic investment will allow Bavarian Nordic to recognize the full value chain of the manufacturing process, to maintain control of the product cycle throughout, and to ensure the future capacity for the company's pipeline assets. The facility is expected to be operational in 2021.

MVA-BN RSV (universal respiratory syncytial virus vaccine candidate)
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 and B.

In September 2017, preliminary follow up results from the Phase 2 study of MVA-BN RSV were reported, showing that after six months, a persistent antibody response against RSV could still be observed.

Subjects that received a single vaccination with either dose Phase 2 will be given an additional booster later this year and followed for another RSV season, to help establish the immune responses 1 year post vaccination and the effect of another annual booster vaccination. Following the completion of the Phase 2 booster study, the Company plans to initiate a placebo-controlled human challenge study in the first half of 2018. Evidence from this study will assist in the planning and design of late phase RSV studies as well as demonstrating early evidence regarding efficacy of MVA-BN RSV in preventing disease in healthy volunteers subsequently exposed to live RSV. For the study, Bavarian Nordic has partnered with SGS, a global contract research organization, to develop a novel and differentiated approach to the RSV challenge model that will potentially allow the Company to more accurately assess the protective benefits of its vaccine when confronted with a virulent RSV infection.

MVA-BN Filo (Ebola vaccine candidate)
In September 2017, our partner Janssen was awarded a contract from BARDA of USD 44.7 million, with options for additional funding, over 5 years to help support the development and potential licensure of the Ebola vaccine regimen. Bavarian Nordic continues to support Janssen in this process with a number of activities relating to MVA-BN Filo, which are also being funded under the contract with BARDA.

CV301 (active targeted immunotherapy candidate for multiple cancers)
CV301 is an immunotherapy candidate that targets two tumor-associated antigens, CEA and MUC-1, which are overexpressed in major cancer types. The development of CV301 focuses on combination treatments with other immune-modulating agents such as checkpoint inhibitors.

Ongoing and planned studies of CV301 include:

- A randomized Phase 2 proof of concept study of CV301 in non-small cell lung cancer patients. The study will enroll 176 patients who will receive either KEYTRUDA® (pembrolizumab) monotherapy, as standard of care, or a combination of CV301 and standard of care. A small Phase 1b study will investigate the safety of combining CV301 and KEYTRUDA before initiation of the Phase 2. Additionally safety data will emerge from the original Phase 1 study that investigated the combination of CV301 and OPDIVO® (nivolumab). While the primary endpoint of the study is overall survival (OS), numerous important short-term secondary endpoints including objective response rate (ORR), progression free survival (PFS) and duration of response (DoR) will be evaluated and offer the potential for an early efficacy signal, prior to an overall survival endpoint. The Phase 2 part of the study is anticipated to initiate in the fourth quarter of 2017.
- A single-arm Phase 2 study of the combination of CV301 and TECENTRIQ® (atezolizumab), Roche's FDA-approved PD-L1 inhibitor, in patients with locally advanced or metastatic urothelial carcinoma (bladder cancer) who have disease progression during or following platinum-containing chemotherapy or have disease progression within 12 months of neoadjuvant or adjuvant treatment with platinum-containing chemotherapy, a patient population where TECENTRIQ has accelerated approval in the U.S. The study's primary endpoint is overall survival with secondary endpoints being ORR, DoR and PFS. The study is anticipated to initiate in the second quarter of 2018.

PROSTVAC (prostate cancer immunotherapy candidate)
PROSTVAC is a prostate specific antigen (PSA)-targeted immunotherapy candidate which is being developed under a cooperative research and development agreement (CRADA) with the U.S. National Cancer Institute (NCI). Multiple clinical trials with the product candidate have shown it to be generally well-tolerated.

The PROSPECT Phase 3 study, a global randomized, double-blind, placebo-controlled trial of PROSTVAC as monotherapy in 1,297 patients with asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer, was discontinued in September 2017 after recommendation from the independent Data Monitoring Committee (DMC). Based on a preplanned, third interim analysis, the committee determined that continuation of the study was futile, and that it was unlikely to reach its primary endpoint of overall survival. Results from the study are currently being analyzed to determine the potential biological effects of PROSTVAC.

Bavarian Nordic and its partners continue to explore the potential of PROSTVAC as combination therapy in early stage prostate cancer, including exploratory studies of PROSTVAC with or without immune checkpoint inhibitors from Bristol-Myers Squibb (ipilimumab or YERVOY® and nivolumab or OPDIVO®).

BN-Brachyury (immunotherapy candidate targeting the metastatic process)
BN-Brachyury is a novel cancer immunotherapy candidate, developed in collaboration with the NCI. The product candidate is 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.

A completed Phase 1 study in 38 patients with chordoma or metastatic solid cancers showed the vaccine to be well-tolerated and to induce brachyury-specific T-cell immune responses in the vast majority of patients.

Another Phase 1 study is planned for initiation before the end of 2017, which will explore the addition of a fowlpox booster vaccine to the MVA-BN primer vaccine, before entering Phase 2 trials of the prime-boost vaccine regimen. The current Phase 2 plans include a combination study with a PD-1 or PD-L1 checkpoint inhibitor in an undisclosed indication and a study that combines the vaccine with radiation in patients with advanced chordoma, which is expected to initiate enrollment in the third quarter of 2018. The primary endpoint of the study is overall response rate.

For chordoma, the Company anticipates that the vaccine candidate may obtain orphan status with the FDA and also be eligible for the FDA's Orphan Products Clinical Trials Grants Program which supports the clinical development of products for use in rare diseases or conditions where no current therapy exists. At the appropriate time, the Company will also apply for a Breakthrough Therapy Designation with the FDA.

Pre-clinical collaborations
In July 2017, Bavarian Nordic and Janssen expanded their partnership with an additional worldwide license and collaboration agreement which grants Janssen the exclusive rights to Bavarian Nordic's MVA-BN technology for two additional programs, targeting vaccines against hepatitis B virus (HBV) and the human immunodeficiency virus (HIV-1). The total potential value of the new agreement is up to USD 879 million including an upfront payment of USD 10 million, USD 33 million in an equity investment by subscription of new Bavarian Nordic shares and up to USD 836 million, of which USD 606 million are milestone payments related to HIV and USD 230 million are milestone payments related to HBV, based upon the achievement of specified development, regulatory and sales milestones, in addition to tiered royalties on future sales.

This deal builds on the ongoing collaboration to develop vaccines for Human Papillomavirus (HPV) and Ebola, and the companies are now collaborating on four product development programs combining Bavarian Nordic's MVA-BN technology with Janssen's AdVac® technology platform. Similar to prior agreements, Janssen will be responsible for all clinical development, while manufacturing of MVA-BN is retained by Bavarian Nordic.

Other developments

Capital increase after issue of shares to Johnson & Johnson Innovation – JJDC, Inc.
In August, the Company issued 512,102 new shares to Johnson & Johnson Innovation – JJDC, Inc. (JJDC) as part of the license agreement entered with Janssen in July. The shares were subscribed at a price of DKK 405.16 per share of DKK 10, yielding gross proceeds of DKK 207.5 million to Bavarian Nordic. Hence, at September 30, 2017, the Company's share capital was DKK 319,813,150, comprising 31,981,315 shares with a nominal value of DKK 10 each. Each share carries one vote.

Furthermore, there were 1,356,429 outstanding warrants, which entitle warrant holders to subscribe for 1,356,429 shares of DKK 10 each. Thus the fully diluted share capital amounted to DKK 333,377,440 at September 30, 2017.

New incentive programs for employees and executive management in Bavarian Nordic
The board of directors has today decided to issue warrants to executive management and certain employees in the Bavarian Nordic Group. The decision is made in accordance with the shareholder authorization for the board of directors adopted as Article 5b of the Articles of Association and the Company's guidelines regarding incentive programs.

The warrant program entails the issuance of 373,856 warrants in total which entitle the warrant holders to subscribe for up to 373,856 shares in total with a nominal value of DKK 10 each at an exercise price of DKK

303.0 per share. The warrants may be exercised wholly or partly during eight fixed subscription periods during 2021 and 2022.

The value of each warrant equals DKK 80.2 and is calculated on the Black-Scholes model with a risk-free interest rate of -0.55 per cent and on the historical volatility of the shares. The calculation is based on a share price of DKK 259.5.

Furthermore, the Company introduces a three year incentive program in January 2018 for all employees in the Bavarian Nordic Group, with the exception of employees receiving warrants. The program is a cash bonus program based on the development in the Company's share price. The incentive program will not have a dilutive effect on the shareholders.

Each employee participating in the program is awarded so-called phantom shares every month of employment until 31 December 2020. The exercise price is DKK 303.0. The phantom shares may be exercised in January 2021, only if the Company's share price by then exceeds the exercise price by at least DKK 5. In that case, each phantom share will yield a cash bonus equivalent to DKK 1 per point the share price exceeds the exercise price.

Based on the current number of employees in the Group eligible for participating in the program, the program will comprise up to 59,040 phantom shares. The average value of each phantom share granted equals DKK 49.9 calculated on the basis of the Black-Scholes model with a risk-free interest rate of -0.55 per cent and on the historical volatility of the shares. The calculation is based on a share price of DKK 259.5.

Financial calendar 2018

March 12, 2018	2017 Annual Report
April 17, 2018	Annual General Meeting **
May 24, 2018	First quarterly report (Q1) for the three-month period ended March 31, 2018
August 16, 2018	Half-year report (Q2) for the six-month period ended June 30, 2018
November 9, 2018	Third quarterly report (Q3) for the nine-month period ended September 30, 2018

** Shareholders who wish to submit a request for proposals for consideration at the annual general meeting 2018 must lodge this with the Company no later than March 7, 2018.*

CONSOLIDATED KEY FIGURES (UNAUDITED)

DKK thousand	1/7 - 30/9 2017	1/7 - 30/9 2016	1/1 - 30/9 2017	1/1 - 30/9 2016	1/1-31/12 2016
Income statements					
Revenue	734,271	452,297	1,329,243	591,412	1,006,742
Production costs	98,735	145,097	275,942	192,304	297,793
Research and development costs	161,359	130,990	373,236	324,426	463,169
Distribution costs	7,977	9,391	27,883	28,088	38,560
Administrative costs	34,186	41,985	120,938	128,547	174,213
Income before interest and taxes (EBIT)	432,014	124,834	531,244	(81,953)	33,007
Financial items, net	9,641	1,076	(37,347)	3,456	6,542
Income before company tax	441,655	125,910	493,897	(78,497)	39,549
Net profit for the period	325,672	97,818	365,914	(56,717)	30,600
Balance sheet					
Total non-current assets			341,236	584,413	541,131
Total current assets			2,575,004	1,998,508	2,282,567
Total assets			2,916,240	2,582,921	2,823,698
Equity			2,637,388	1,914,596	2,017,237
Non-current liabilities			28,116	55,605	54,663
Current liabilities			250,736	612,720	751,798
Cash flow statements					
Securities, cash and cash equivalents			2,416,168	1,254,523	1,899,897
Cash flow from operating activities			388,012	(374,085)	267,601
Cash flow from investment activities			(942,394)	(417,496)	(448,183)
- Investment in intangible assets			(15,448)	(34,951)	(43,709)
- Investment in property, plant and equipment			(11,376)	(27,920)	(47,810)
- Net investment in securities			(915,415)	(354,470)	(358,254)
Cash flow from financing activities			209,049	628,864	657,199
Financial Ratios (DKK) [1)]					
Earnings (basic) per share of DKK 10			11.6	(1.9)	1.0
Net asset value per share			82.5	61.9	64.3
Share price at period-end			282	250	249
Share price/Net asset value per share			3.4	4.0	3.9
Number of outstanding shares at period-end			31,981	30,934	31,354
Equity share			90%	74%	71%
Number of employees, converted to full-time, at period-end			442	427	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. Deferred tax asset
13. Financial instruments
14. Incentive plans
15. Significant changes in contingent liabilities and other contractual obligations
16. Significant events after the balance sheet date
17. Approval of the unaudited condensed consolidated interim financial statements

FINANCIAL STATEMENT FOR THE PERIOD JANUARY 1 – SEPTEMBER 30, 2017

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

- Revenue generated for the nine months ending September 30, 2017 was DKK 1,329 million (DKK 591 million). The upfront option payment (DKK 399 million) received from Bristol-Myers Squibb in March 2015 was recognized as income in September as the Company followed the recommendation from the independent Data Monitoring Committee to discontinue the PROSPECT study due to futility.
- The income before interest and tax (EBIT) was a gain of DKK 531 million (loss of DKK 82 million).
- As of September 30, 2017 the Group's cash preparedness was DKK 2,808 million (DKK 1,647 million), including unutilized credit lines of DKK 392 million (DKK 392 million).

Revenue generated for the nine months ending September 30, 2017 was DKK 1,329 million (DKK 591 million). Revenue was composed of DKK 399 million (DKK 0 million) from recognition of the upfront option payment received from Bristol-Myers Squibb in March 2015, DKK 808 million (DKK 423 million) from the sale of IMVAMUNE bulk drug substance to U.S. Government, DKK 45 million (DKK 13 million) from the sale of IMVAMUNE final drug product to other customers and DKK 77 million (DKK 74 million) from contract work. In 2016 the company received the remaining IMVAMUNE holdback of DKK 81 million. Revenue reported for the three months ended September 30, 2017 was DKK 734 million (DKK 452 million).

The production costs totaled DKK 276 million (DKK 192 million). Costs related directly to revenue amounted to DKK 255 million (DKK 134 million). Other production costs totaled DKK 21 million (DKK 58 million). In the third quarter of 2017, production costs were DKK 100 million (DKK 145 million).

Research and development costs totaled DKK 373 million (DKK 324 million), of which expensing of prior-year IMVAMUNE development costs amounted to DKK 67 million (DKK 38 million). As per September 30, 2017 the IMVAMUNE development project asset stood at DKK 1 million (DKK 84 million). The "Development projects for sale" asset has been written down by DKK 48 million, corresponding to the value related to PROSTVAC (see Annual Report 2016, note 17), as a consequence of the discontinuation of the PROSPECT study. The write-down has been recognized as research and development costs.

Distribution costs totaled DKK 28 million (DKK 28 million) and administrative costs totaled DKK 121 million (DKK 129 million).

The income before interest and tax (EBIT) was a gain of DKK 531 million (loss of DKK 82 million).

Financial items totaled a net expense of DKK 37 million (net income of DKK 3 million). Net income from securities amounted to DKK 10 million (DKK 17 million), net gains on derivative financial instruments amounted to DKK 13 million (DKK 1 million), interest expenses on debt amounted to DKK 2 million (DKK 3 million), negative exchange rate adjustments amounted to DKK 80 million (DKK 12 million) and adjustment of net present value of provisions amounted to an income of DKK 22 million (DKK 0 million), see further details below.

Income before company tax was a gain of DKK 494 million (loss of DKK 78 million).

Tax on income was DKK 128 million (income of DKK 22 million), corresponding to an effective tax rate of 26%. As stated in the Annual Report for 2016 the utilization of the recognized deferred tax asset is dependent on regulatory approval of PROSTVAC as well as future taxable profits arising from sale of PROSTVAC. After the discontinuation of the PROSPECT study Management assesses that the deferred tax asset cannot be utilized within existing contracts. Therefore the deferred tax asset has been fully written down. The write-down amounts to DKK 74 million of which DKK 21 million has been recognized in equity and DKK 53 million in the income statement.

As per September 30, 2017 the total write-down of the deferred tax asset amounts to DKK 256 million. The Company retains the right to use the tax loss carry forward (DKK 200 million) and the other tax assets (DKK 56 million) that has been written down. The development in the deferred tax asset is shown in note 12. Deferred tax asset related to prepayments have been reduced by DKK 89 million compared to December 31, 2016 as the upfront option payment from Bristol-Myers Squibb has been recognized as revenue.

For the first nine months of 2017, Bavarian Nordic reported a net profit of DKK 366 million (net loss of DKK 57 million).

Trade receivables only amounted to DKK 18 million as of September 30, 2017 as the IMVAMUNE bulk drug substance sale to U.S. Government has been prepaid.

Securities, cash and cash equivalents increased by DKK 516 million compared to December 31, 2016. During the first nine month of 2017 the company received prepayments of DKK 637 million under the second supply order from U.S. Government in concurrence with initiation of each IMVAMUNE batch production. As per September 30, 2017, DKK 20 million was still recognized as prepayments. The revenue will be recognized during the fourth quarter.

The provision for the long-term incentive agreement with former Division President for Cancer Immunotherapy Reiner Laus (DKK 24 million) has been fully reversed. Management has assessed that future payments under this agreement will not occur as all the predefined milestones are related to successful approval and commercialization of PROSTVAC as a monotherapy. The reversal has been recognized as respectively financial items (DKK 22 million) and administrative costs (DKK 2 million) – in line with the historical build-up. For further description of the provision see the Annual Report 2016, note 24.

Prepayment from customers have decreased by DKK 432 million compared to December 31, 2016, primarily as a consequence of the revenue recognition of the upfront option payment from Bristol-Myers Squibb (DKK 399 million).

As of September 30, 2017 the Group's cash preparedness was DKK 2,808 million (DKK 1,647 million), including unutilized credit lines of DKK 392 million (DKK 392 million). Cash flow contribution from operating activities was DKK 388 million (spend DKK 374 million), mainly driven by payments of trade receivables and received prepayments. Cash flow spend on investment activities was DKK 942 million (DKK 417 million). Net investment in securities amounted to DKK 915 million (DKK 354 million). Cash flow from financing activities contributed with DKK 209 million (DKK 629 million) primarily from issue of shares to Johnson & Johnson Innovation – JJDC, Inc. through a private placement. In 2016 a private placement contributed with a net of DKK 625 million. The net change in cash and cash equivalents was DKK -345 million (DKK -163 million). Adjusted for investment in securities the net change in cash and cash equivalents was positive by DKK 570 million (DKK 191 million).

The Group's equity as of September 30, 2017 stood at DKK 2,637 million (DKK 1,915 million).

In October 2017, the Company utilized the loan facility granted by the European Investment Bank back in May 2015. The loan is a five year unsecured bullet loan with a fixed interest rate of 3.532% p.a. until the maturity in October 2022. The loan was disbursed in DKK and amounted to DKK 372 million. Consequently, the Company's unutilized credit lines decreased by DKK 372 million and now amount to DKK 20 million.

Financial expectations
The Company maintains its 2017 full-year financial expectations as announced July 27, 2017 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 2,600 million and was raised from DKK 2,400 million on July 27, 2017 after entering a new license and share purchase agreement with Janssen. Cash preparedness includes cash, cash equivalents, investment in securities and the aggregate amount of undrawn credit lines.

After the discontinuation of the PROSPECT study and the write-down of the "Development project for sale" asset the total research and development costs are expected to amount to approximately DKK 475 million (increased from DKK 425 million). The costs primarily relate to the PROSPECT study including the write-down, 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	475
Of which:	
Contract costs recognized as production costs	(45)
Capitalized development costs	(10)
	420
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	70
Research and development costs to be recognized in the income statement	**490**

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 largely unchanged. For PROSTVAC, the short-term risks related to the commercialization have been reduced, as a consequence of the discontinuation of the PROSPECT study.

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, 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 September 30, 2017 and the results of the group's activities and cash flows for the period January 1 to September 30, 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, November 8, 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

Unaudited Condensed Consolidated Income Statements for the Periods Ended September 30, 2017 and 2016

DKK thousand	Note	1/7 - 30/9 2017	1/7 - 30/9 2016	1/1 - 30/9 2017	1/1 - 30/9 2016	1/1-31/12 2016
Revenue	3	734,271	452,297	1,329,243	591,412	1,006,742
Production costs	4	98,735	145,097	275,942	192,304	297,793
Gross profit		**635,536**	**307,200**	**1,053,301**	**399,108**	**708,949**
Research and development costs	5	161,359	130,990	373,236	324,426	463,169
Distribution costs		7,977	9,391	27,883	28,088	38,560
Administrative costs		34,186	41,985	120,938	128,547	174,213
Total operating costs		**203,522**	**182,366**	**522,057**	**481,061**	**675,942**
Income before interest and tax (EBIT)		**432,014**	**124,834**	**531,244**	**(81,953)**	**33,007**
Financial income	6	28,386	4,624	50,309	18,566	37,877
Financial expenses	7	18,745	3,548	87,656	15,110	31,335
Income before company tax		**441,655**	**125,910**	**493,897**	**(78,497)**	**39,549**
Tax on income for the period		115,983	28,092	127,983	(21,780)	8,949
Net profit for the period		**325,672**	**97,818**	**365,914**	**(56,717)**	**30,600**
Earnings per share (EPS) - DKK						
Basic earnings per share of DKK 10		10.3	3.3	11.6	(1.9)	1.0
Diluted earnings per share of DKK 10		10.2	3.2	11.5	(1.9)	1.0

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Periods Ended September 30, 2017 and 2016

DKK thousand	1/7 - 30/9 2017	1/7 - 30/9 2016	1/1 - 30/9 2017	1/1 - 30/9 2016	1/1-31/12 2016
Net profit for the period	**325,672**	**97,818**	**365,914**	**(56,717)**	**30,600**
Items that might be reclassified to the income statement:					
Exchange rate adjustments on translating foreign operations	12,959	1,509	44,979	7,558	(14,842)
Fair value of financial instruments entered into to hedge future cash flows	(129)	3,951	241	(1,416)	(259)
Tax on other comprehensive income	24	(869)	(57)	312	57
Other comprehensive income after tax	**12,854**	**4,591**	**45,163**	**6,454**	**(15,044)**
Total comprehensive income	**338,526**	**102,409**	**411,077**	**(50,263)**	**15,556**

Unaudited Condensed Consolidated Statements of Financial Position - Assets as of September 30, 2017 and 2016 and December 31, 2016

DKK thousand	Note	30/9 2017	30/9 2016	31/12 2016
Assets				
Software		7,916	5,807	5,165
IMVAMUNE development project		980	83,555	60,951
Intangible assets in progress		20,966	13,736	16,903
Intangible assets		**29,862**	**103,098**	**83,019**
Land and buildings		198,383	206,579	202,804
Leasehold improvements		1,434	756	678
Plant and machinery		59,080	60,137	54,903
Fixtures and fittings, other plant and equipment		21,352	18,463	19,057
Assets under construction		29,667	36,577	48,894
Property, plant and equipment		**309,916**	**322,512**	**326,336**
Other receivables		1,458	1,069	1,303
Financial assets		**1,458**	**1,069**	**1,303**
Deferred tax assets	12	**-**	**157,734**	**130,473**
Total non-current assets		**341,236**	**584,413**	**541,131**
Development projects for sale		**22,201**	**70,069**	**70,069**
Inventories	8	**96,679**	**153,397**	**146,983**
Trade receivables		18,068	495,253	130,391
Tax receivables		-	-	2,506
Other receivables	9	17,706	18,760	25,396
Prepayments		4,182	6,506	7,325
Receivables		**39,956**	**520,519**	**165,618**
Securities		1,956,980	1,045,190	1,046,301
Cash and cash equivalents		459,188	209,333	853,596
Securites, cash and cash equivalents		**2,416,168**	**1,254,523**	**1,899,897**
Total current assets		**2,575,004**	**1,998,508**	**2,282,567**
Total assets		**2,916,240**	**2,582,921**	**2,823,698**

Unaudited Condensed Consolidated Statements of Financial Position - Equity and Liabilities as of September 30, 2017 and 2016 and December 31, 2016

DKK thousand	Note	30/9 2017	30/9 2016	31/12 2016
Equity and liabilities				
Share capital		319,814	309,341	313,539
Treasury shares		(233)	(111)	(111)
Retained earnings		2,304,507	1,613,047	1,731,898
Other reserves		13,300	(7,681)	(28,089)
Equity		**2,637,388**	**1,914,596**	**2,017,237**
Provisions		-	25,226	24,949
Debt to credit institutions		28,116	30,379	29,714
Non-current liabilities		**28,116**	**55,605**	**54,663**
Debt to credit institutions		2,136	2,136	2,136
Prepayment from customers	10	98,758	461,536	530,645
Trade payables		36,452	45,909	71,958
Company tax		10,344	1,178	72
Other liabilities	11	103,046	101,961	146,987
Current liabilities		**250,736**	**612,720**	**751,798**
Total liabilities		**278,852**	**668,325**	**806,461**
Total equity and liabilities		**2,916,240**	**2,582,921**	**2,823,698**

Unaudited Condensed Consolidated Statements of Cash Flow for the Periods Ended September 30, 2017 and 2016 and December 31, 2016

DKK thousand	1/1 - 30/9 2017	1/1 - 30/9 2016	1/1-31/12 2016
Net profit for the period	**365,914**	**(56,717)**	**30,600**
Adjustment for non-cash items:			
Financial income	(50,309)	(18,566)	(37,877)
Financial expenses	87,656	15,110	31,335
Tax on income for the period	127,983	(21,780)	8,949
Depreciation, amortization and impairment losses	28,560	32,833	45,364
Expensing (amortization) of IMVAMUNE development project	66,755	38,331	68,785
Share-based payment	25,866	12,248	18,186
Adjustment for other non-cash items	(2,704)	-	2,825
Changes in development projects for sale	47,868	-	-
Changes in inventories	50,304	(62,395)	(55,981)
Changes in receivables	111,926	(335,569)	20,711
Changes in provisions	-	(570)	(570)
Changes in current liabilities	(462,644)	34,577	126,237
Cash flow from operations (operating activities)	**397,175**	**(362,498)**	**258,564**
Received financial income	15,993	11,652	21,311
Paid financial expenses	(20,233)	(18,772)	(3,515)
Paid company taxes	(4,923)	(4,467)	(8,759)
Cash flow from operating activities	**388,012**	**(374,085)**	**267,601**
Investments in and additions to intangible assets	(15,448)	(34,951)	(43,709)
Investments in property, plant and equipment	(11,376)	(27,920)	(47,810)
Disposal of property, plant and equipment	-	-	1,979
Investments in/disposal of financial assets	(155)	(155)	(389)
Investments in securities	(1,305,784)	(597,429)	(784,230)
Disposal of securities	390,369	242,959	425,976
Cash flow from investment activities	**(942,394)**	**(417,496)**	**(448,183)**
Payment on mortgage and construction loan	(1,598)	(33,824)	(34,363)
Proceeds from mortgage loan	-	32,515	32,389
Proceeds from warrant programs exercised	9,838	8,259	37,305
Proceeds from private placement	207,482	664,800	664,800
Cost related to issue of new shares	(2,419)	(40,037)	(40,083)
Purchase of treasury shares	(4,254)	(2,849)	(2,849)
Cash flow from financing activities	**209,049**	**628,864**	**657,199**
Cash flow of the period	**(345,333)**	**(162,717)**	**476,617**
Cash as of 1 January	853,596	374,063	374,063
Currency adjustments 1 January	(49,075)	(2,013)	2,916
Cash end of period	**459,188**	**209,333**	**853,596**

Unaudited Condensed Consolidated Statements of Changes in Equity for the Periods September June 30, 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	-	-	365,914	-	-	-	365,914
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	44,979	-	-	44,979
Fair value of financial instruments	-	-	-	-	184	-	184
Total comprehensive income for the period	**-**	**-**	**365,914**	**44,979**	**184**	**-**	**411,077**
Transactions with owners							
Share-based payment	-	-	-	-	-	19,046	19,046
Warrant program exercised	1,154	-	10,565	-	-	(1,881)	9,838
Warrant program expired	-	-	320	-	-	(320)	-
Capital increase through private placement	5,121	-	202,361	-	-	-	207,482
Cost related to issue of new shares	-	-	(2,419)	-	-	-	(2,419)
Purchase of treasury shares	-	(122)	(4,132)	-	-	-	(4,254)
Tax related to items recognized directly in equity	-	-	-	-	-	(20,619)	(20,619)
Total transactions with owners	**6,275**	**(122)**	**206,695**	**-**	**-**	**(3,774)**	**209,074**
Equity as of September 30, 2017	**319,814**	**(233)**	**2,304,507**	**(43,419)**	**(18)**	**56,737**	**2,637,388**

In May 2017, the Company initiated a new share buy-back program, under which the Company bought back 12,156 of its own shares. The purpose of the share buy-back program was to meet the Company's obligations arising from the share-based incentive programs for the Board of Directors and Executive Management, in accordance with the Company's remuneration policy and the general guidelines for incentive remuneration. This share buy-back brought the total number of own shares to a total of 23,300 shares, representing 0.07% of the total share capital.

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)	(2,738)	-	-	-	(2,849)
Tax related to items recognized directly in equity	-	-	-	-	-	(23,656)	(23,656)
Total transactions with owners	**29,144**	**(111)**	**603,206**	**-**	**-**	**(9,859)**	**622,380**
Equity as of September 30, 2016	**309,341**	**(111)**	**1,613,047**	**(65,998)**	**(1,104)**	**59,421**	**1,914,596**

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.

Based on the recommendation from the independent Data Monitoring Committee, Management has decided to discontinue the PROSPECT study due to futility. Consequently, Management has assessed that the performance obligations related to the received upfront option payment from Bristol-Myers Squibb no longer exist and therefore the upfront option payment has been recognized as revenue. Management has also reevaluated the deferred tax asset, the development projects for sale and the related provisions. As stated in the Annual Report for 2016, the utilization of the recognized deferred tax asset is dependent on regulatory approval of PROSTVAC as well as future taxable profits arising from sale of PROSTVAC. After the discontinuation of the PROSPECT study, Management has assessed that the deferred tax asset cannot be utilized within existing contracts and therefore has been fully written down. Likewise, the development projects for sale related to PROSTVAC has also been fully written down. Management has furthermore assessed that payments under the long-term incentive agreement with former Division President for Cancer Immunotherapy will not occur as all the predefined milestones are related to successful approval and commercialization of PROSTVAC as a monotherapy. The provision has therefore been fully reversed.

Further to the significant accounting estimates, assumptions and uncertainties, which are stated in the Annual Report 2016, the Management has not changed other significant estimates and judgments regarding recognition and measurement.

DKK thousand	1/7 - 30/9 2017	1/7 - 30/9 2016	1/1 - 30/9 2017	1/1 - 30/9 2016	1/1-31/12 2016
3. Revenue					
IMVAMUNE sale	300,315	423,113	853,706	435,896	831,783
Sale of goods	300,315	423,113	853,706	435,896	831,783
Upfront payment, PROSTVAC	398,538	-	398,538	-	-
IMVAMUNE sale, development results	-	-	-	80,746	80,746
Contract work	35,418	29,184	76,999	74,770	94,213
Sale of services	433,956	29,184	475,537	155,516	174,959
Revenue	**734,271**	**452,297**	**1,329,243**	**591,412**	**1,006,742**
Total revenue includes:					
Fair value adjustment concerning financial instruments entered into to hedge revenue	-	(4,667)	-	(4,667)	(11,979)
4. Production costs					
Cost of goods sold, IMVAMUNE sale	80,097	92,627	216,350	94,428	171,517
Contract costs	15,105	12,533	39,121	39,850	52,747
Other production costs	3,533	39,937	20,471	58,026	73,529
Production costs	**98,735**	**145,097**	**275,942**	**192,304**	**297,793**
5. Research and development costs					
Research and development costs occured in the period	155,603	112,602	352,387	347,330	476,367
Of which:					
Contract costs recognized as production costs	(15,105)	(12,533)	(39,121)	(39,850)	(52,747)
Capitalized development costs	(2,639)	(7,229)	(6,785)	(21,385)	(29,236)
	137,859	92,840	306,481	286,095	394,384
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	23,500	38,150	66,755	38,331	68,785
Research and development costs	**161,359**	**130,990**	**373,236**	**324,426**	**463,169**
6. Financial income					
Interest income	110	20	163	272	272
Interest income from financial assets not measured at fair value in the income statement	110	20	163	272	272
Financial income from securities	6,031	4,264	15,181	11,278	15,640
Fair value adjustments on securities	-	(361)	-	6,315	3,542
Adjustment of net present value of provisions	22,245	-	22,245	-	-
Net gains on derivative financial instruments at fair value in the income statement	-	701	12,720	701	-
Net foreign exchange gains	-	-	-	-	18,423
Financial income	**28,386**	**4,624**	**50,309**	**18,566**	**37,877**

DKK thousand	1/7 - 30/9 2017	1/7 - 30/9 2016	1/1 - 30/9 2017	1/1 - 30/9 2016	1/1-31/12 2016
7. Financial expenses					
Interest expenses on debt	474	1,401	2,181	2,709	3,678
Interest expenses on financial liabilities not measured at fair value in the income statement	474	1,401	2,181	2,709	3,678
Fair value adjustments on securities	(573)	-	5,150	-	-
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	18,844	2,147	80,325	12,401	-
Financial expenses	**18,745**	**3,548**	**87,656**	**15,110**	**31,335**

DKK thousand	30/9 2017	30/9 2016	31/12 2016
8. Inventories			
Raw materials and supply materials	33,850	38,481	38,887
Work in progress	201,365	208,140	206,943
Manufactured goods and commodities	8,421	10,900	11,850
Write-down on inventory	(146,957)	(104,124)	(110,697)
Inventories	**96,679**	**153,397**	**146,983**
Write-down on inventory 1 January	(110,697)	(89,889)	(89,889)
Write-down during the period	(43,931)	(14,439)	(21,012)
Use of write-down	7,671	-	-
Reversal of write-down	-	204	204
Write-down end of period	**(146,957)**	**(104,124)**	**(110,697)**
9. Other receivables			
Receivable VAT and duties	3,220	9,873	14,947
Financial instruments at fair value	-	-	-
Accrued interest	14,486	8,887	10,449
Other receivables	**17,706**	**18,760**	**25,396**
10. Prepayment from customers			
Prepayments from customers as of January 1	530,645	405,789	405,789
Prepayments received during the period	702,180	64,871	142,655
Recognized as income during the period	(1,134,067)	(9,124)	(17,799)
Prepayments from customers end of period	**98,758**	**461,536**	**530,645**
11. Other liabilities			
Financial instruments at fair value	18	5,381	36,509
Liability relating to phantom shares	9,082	16,847	18,047
Payable salaries, holiday accrual etc.	55,598	53,316	60,698
Other accrued costs	38,348	26,417	31,733
Other liabilities	**103,046**	**101,961**	**146,987**

12. Deferred tax asset

DKK thousand	January 1, 2017	Recognized in the income statement	Recognized in equity	September 30, 2017
Intangible assets	(3,763)	9,621	-	5,858
Property, plant and equipment	3,363	1,587	-	4,950
Development projects for sale	(24,039)	41,459	-	17,420
Prepayment from customers	89,209	(88,826)	-	383
Financial instruments	57	-	(53)	4
Share-based payment	23,504	3,712	(170)	27,046
Tax losses carried forward	224,142	(24,057)	-	200,085
Write down - tax losses carried forward	(182,000)	(53,293)	(20,453)	(255,746)
Recognized deferred tax assets	**130,473**	**(109,797)**	**(20,676)**	**-**

13. 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, 2017

DKK thousand	Level 1	Level 2	Total
Securities	1,956,980	-	1,956,980
Financial assets measured at fair value through the income statement	**1,956,980**	**-**	**1,956,980**
Derivative financial instruments to hedge future cash flow (interest)	-	(18)	(18)
Financial assets/liabilities used as hedging instruments	**-**	**(18)**	**(18)**

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 assets/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)**

14. Incentive plans

Outstanding warrants as of September 30, 2017

	Outstanding as of January 1	Addition during the period	Options exercised	Annulled	Terminated	Trans-ferred	Outstanding as of September 30
Board of Directors	35,000	-	(10,000)	-	-	-	25,000
Corporate Management	318,702	26,955	-	-	-	44,600	390,257
Other employees	887,073	-	(11,667)	(16,800)	(1,500)	(88,706)	768,400
Retired employees	243,777	-	(93,700)	-	(21,411)	44,106	172,772
Total	**1,484,552**	**26,955**	**(115,367)**	**(16,800)**	**(22,911)**	**-**	**1,356,429**
Weighted average exercise price	**211**	**-**	**85**	**313**	**56**	**-**	**227**
Weighted average share price at exercise	**-**	**-**	**349**	**-**	**-**	**-**	**-**

Numbers of warrants which can be exercised as of September 30, 2017	124,650
at a weighted average exercise price of DKK	74

The total recognized cost of the warrant programs was DKK 15.6 million in the first nine months of 2017 (DKK 13.7 million).

Specification of parameters for Black-Scholes model

DKK	Aug 2013	Dec 2013	Aug 2014	Dec 2015	Dec 2016	Jul 2017
Average share price	68.00	82.00	117.50	334.00	222.50	383.50
Average exercise price at grant	73.90	96.50	131.40	366.85	260.20	430.45
Expected volatility rate	36.4%	35.4%	39.7%	53.8%	44.6%	44.1%
Expected life (years)	3.3	3.3	3.3	3.3	3.0	3.0
Expected dividend per share	-	-	-	-	-	-
Risk-free interest rate p.a.	0.78%	0.74%	0.63%	0.25%	-0.48%	-0.46%
Fair value at grant [1)]	16	17	29	115	54	98

The expected volatility is based on the historical volatility.

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

15. 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.

16. Significant events after the balance sheet date

No significant events have occurred since September 30, 2017.

17. 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 8, 2017.