BAVARIAN NORDIC

Company Announcement

Bavarian Nordic Announces Interim Results for the First Three Months of 2018

COPENHAGEN, Denmark, May 24, 2018 – Bavarian Nordic A/S (OMX: BAVA, OTC: BVNRY) announced today its interim financial results and business progress for the first three months of 2018.

First quarter highlights and subsequent events

- Positive results of the Phase 3 study of IMVAMUNE® were announced. The study, which compared the efficacy of IMVAMUNE with ACAM2000®, the current U.S. licensed replicating smallpox vaccine, met both of its primary efficacy endpoints. This was the second and final phase 3 study required for licensure of the current formulation. Filing of a Biologics License Application is anticipated in the second half of 2018.
- Additional data from the Phase 2 study of MVA-BN® RSV showed that a single booster vaccination induced increased levels of IgA antibodies recognizing RSV in the nasal mucosa, which has been highly correlated with protection against RSV.
- A Phase 1 clinical trial of our novel cancer immunotherapy candidate, BN-Brachyury, was initiated in patients with several tumor types. The vaccine is targeting brachyury, a key driver of cancer metastasis. The study precedes a number of planned company and investigator sponsored Phase 2 trials later in the year.
- The use of BN-Brachyury for the treatment of chordoma, a rare bone cancer of the spine and base of the skull, received an orphan drug status with the FDA. Bavarian Nordic plans to initiate a Phase 2 study investigating BN-Brachyury in combination with radiation treatment in patients with chordoma in second half of 2018.
- A pharmaceutical collaboration with AstraZeneca was announced. The investigator led study will evaluate the combination of CV301 and durvalumab, AstraZeneca's PD-L1 inhibitor, in patients with metastatic colorectal or pancreatic cancers receiving maintenance chemotherapy.
- A second investigator study was announced, in collaboration with Bristol-Myers Squibb, and will test the combination of CV301 and nivolumab, Bristol-Myers Squibb's PD-1 inhibitor, in patients with oligometastatic, microsatellite stable colorectal cancer.
- A new alliance was signed with the United States Department of Defense (DoD) for the development of a prophylactic MVA-BN®-based vaccine against various strains of the equine encephalitis virus - a rare, but potentially deadly mosquito-borne illness, for which there is currently no preventative vaccine treatment available. The multi-year agreement has a total potential value of approximately USD 36 million.
- Four posters have been accepted at the 2018 ASCO Annual Meeting highlighting clinical achievements for CV301, BN-Brachyury, and PROSTVAC. In addition, the PROSPECT Phase 3 trial of PROSTVAC as monotherapy in men with metastatic, castration-resistant prostate cancer, which was discontinued in 2017 due to futility, has been accepted for an oral presentation, which will be held by Dr. James L. Gulley from the National Cancer Institute and principal investigator of the study.

Financial results

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

- Revenue generated for the three months ending March 31, 2018 was DKK 11 million/USD 2 million (DKK 198 million/USD 33 million in the first three months of 2017).
- The income before interest and tax (EBIT) was a loss of DKK 173 million/USD 29 million (loss of DKK 3 million/USD 0 million in the first three months of 2017).
- As of March 31, 2018, the Group's cash preparedness was DKK 2,355 million/USD 392 million (DKK 2,604 million/USD 433 million as of December 31, 2017).

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Outlook for 2018 maintained
Bavarian Nordic maintains its financial expectations for 2018 as announced on March 12, 2018 with revenues of approximately DKK 500 million/USD 83 million for the full year, a loss before interest and tax (EBIT) of approximately DKK 385 million/USD 64 million and a cash preparedness at year-end of approximately DKK 1,850 million/USD 308 million. The majority of the 2018 revenues are related to the production and release of IMVAMUNE vaccine for the U.S. Government, which will occur in the second half of 2018.

Danish kroner (DKK) is the Company's functional currency. Solely for information purposes, figures above have also been converted into USD using an assumed exchange rate of DKK 6.01 per 1.00 USD, which was the exchange rate as of March 31, 2018. The financial expectations are based on an exchange rate of DKK 6.60 per 1.00 USD.

"In the past several months we have been fortunate enough to witness some of the most significant progress in Bavarian Nordic's history. The positive phase 3 results from IMVAMUNE was a major accomplishment, and one we are very proud of. New collaborations with CV301 keep us well positioned to advance this program in multiple indications while minimizing internal costs, the additional clinical success seen with RSV continue to encourage us, and preparations are well under way for our brachyury vaccine to enter a significant trial in chordoma patients in the second half of this year. Our work on our fill/finish facility is progressing well and remains on track, setting the stage for future deliveries of freeze-dried IMVAMUNE and increased revenue generation." said Paul Chaplin, President & Chief Executive Officer of Bavarian Nordic.

Anticipated selected pipeline developments

IMVAMUNE

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

RSV

- Report clinical results from the annual booster-study (H1, 2018)
- Decide on the feasibility of a human challenge study (H2, 2018)

Janssen partnership

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

CV301

- Initiate Phase 2 study in combination with atezolizumab in bladder cancer (mid 2018)
- Initiate Phase 2 study in combination with durvalumab in colorectal cancer (H1, 2018)
- Initiate Phase 2 study in combination with nivolumab in colorectal cancer (H1, 2018)
- Report initial Phase 2 results (ORR) from combination with pembrolizumab in NSCLC (H2, 2018)

BN-Brachyury

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

** Janssen is responsible for the clinical development*

Conference call and webcast
The management of Bavarian Nordic will host a conference call today at 2 pm CEST (8 am EST) to present the interim results followed by a Q&A session. A listen-only version of the call can be accessed via http://www.bavarian-nordic.com/investor/events.aspx?event=5283. To join the Q&A session, use one of the following dial-in numbers: Denmark: +45 35 15 81 21, UK: +44 (0) 330 336 9411, USA: +1 323-794-2551. Participant code is 8332812.

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

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

MANAGEMENT REVIEW

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

Product	Indication	Status	Collaborator
INFECTIOUS DISEASES			
IMVAMUNE *liquid-frozen* *	Smallpox	Approved/Phase 3	BARDA
IMVAMUNE *freeze-dried*	Smallpox	Phase 2	BARDA
MVA-BN RSV	Respiratory Syncytial Virus	Phase 2	
MVA-BN Filo *monovalent* **	Ebola	Phase 3	Janssen
MVA-BN Filo *multivalent* **	Ebola/Marburg	Phase 2	Janssen
MVA-BN HPV + AdVac **	Chronic HPV infection	Phase 1 planned in 2018	Janssen
MVA-BN HIV + AdVac **	HIV-1	Phase 1 planned in 2018	Janssen
MVA-BN HBV + AdVac **	Hepatitis B	Preclinical	Janssen
CANCER IMMUNOTHERAPY			
CV301 + *pembrolizumab*	Lung cancer (NSCLC)	Phase 1/2	
CV301 + *atezolizumab*	Bladder cancer	Phase 2 planned in 2018	
CV301 + *durvalumab*	Colorectal cancer	Phase 2 planned in 2018	AstraZeneca
CV301 + *nivolumab*	Micro-Satellite Stable Colorectal cancer	Phase 2 planned in 2018	Bristol-Myers Squibb
BN-Brachyury	Chordoma	Phase 2 planned in 2018	
BN-Brachyury (*multiple combinations*)	Solid tumors	Phase 1	NCI
PROSTVAC *combinations*	Prostate cancer	Phase 2	NCI

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

IMVAMUNE® (smallpox vaccine) liquid frozen
IMVAMUNE is the only non-replicating smallpox vaccine approved in Europe for use in the general adult population (marketed under the trade name IMVANEX®). It has furthermore been approved in Canada for use in a public health emergency for adults who are contraindicated to replicating smallpox vaccines. As part of our partnership with the U.S. Government, we are currently working towards the approval of IMVAMUNE in the U.S. The U.S. Government has previously announced a long-term goal for stockpiling of sufficient non-replicating smallpox vaccine to protect 66 million people, corresponding to 132 million doses, which represents a large potential market for IMVAMUNE over time.

The second and final Phase 3 study to support FDA approval of IMVAMUNE as a liquid frozen formulation was successfully completed in February 2018. The randomized, open-label study in 440 volunteers, which compared the efficacy of IMVAMUNE with ACAM2000®, the current U.S. licensed replicating smallpox vaccine, showed that the peak neutralizing antibodies induced by IMVAMUNE were shown to be 2-fold higher than those stimulated by ACAM2000. This met the co-primary endpoint of non-inferiority and was even shown to be a statistically superior immune response. A historical measure of efficacy against smallpox in people vaccinated for the first time was the induction of a vaccine take (pustule, scab and scar) following the skin vaccination (scarification) with replicating smallpox vaccines like ACAM2000. However, the prevention or attenuation of a take in subjects that are re-vaccinated was a historical measure that a subject had a protective immune response against smallpox. Importantly, this co-primary endpoint was also successful. The second co-primary endpoint was also successful. Primary vaccination with IMVAMUNE resulted in a highly-attenuated take (reduction in lesion size), and in fact prevented the vaccine take in the majority of subjects re-vaccinated with ACAM2000.

Bavarian Nordic plans to file a Biological License Application (BLA) in the second half of 2018. If approved, the Company would also be eligible to receive a Priority Review Voucher, which could be used to accelerate the review of a future BLA, and which could also be sold to a third party.

IMVAMUNE® (smallpox vaccine) freeze-dried
In parallel with the development of liquid-frozen IMVAMUNE, efforts to provide a long-term storage solution for IMVAMUNE has been ongoing. This new formulation of the vaccine which offers a longer shelf life will eventually replace the 20 million doses of liquid-frozen IMVAMUNE in the original stockpile. The first steps towards making

this upgrade were made already in 2009, when BARDA provided the first round of funding for the development of the freeze-dried vaccine.

In September 2017, Bavarian Nordic was awarded a contract valued at up to USD 539 million for supply of freeze-dried IMVAMUNE from BARDA. 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.

In early 2018, the planned construction of a fill/finish facility began at our existing manufacturing site in Denmark. The facility will enable us to handle the final drug production of IMVAMUNE and other vaccines in the future. Initially, we will prepare the facility for final drug production of freeze-dried IMVAMUNE to be delivered under the current contract with the U.S. Government.

The facility is expected to be operational in 2021 after which manufacturing of the freeze-dried vaccines are expected to start, thus also triggering options of USD 299 million under the new contract for freeze-drying of the bulk vaccine. Meanwhile, the U.S. government retains an option to procure more bulk vaccine which could be finalized at a later stage.

Collectively, the bulk supply orders received from 2015-2017 are expected to yield approximately 13 million final vaccine doses, and so the Company expects additional orders over time, initially to replace the expired 20 million doses of liquid-frozen IMVAMUNE in the U.S. Strategic National Stockpile, and over time to fulfill the stated goal of adequate vaccine for 66 million people (132 million doses).

MVA-BN RSV (universal respiratory syncytial virus vaccine candidate)
MVA-BN RSV is our product candidate for the prevention of RSV. The vaccine has been specifically designed to target five different RSV proteins to ensure a broad immune response against both RSV subtypes (A & B), in a similar fashion to the natural response to an RSV infection.

Results from a randomized, placebo-controlled Phase 2 dose finding study in 421 subjects aged 55 and older have shown the vaccine to be well tolerated and immunogenic. Significant T-cell responses to all five RSV proteins were observed in the majority of subjects as well as significant boost in antibody responses. A single vaccination induced the highest booster responses in both antibodies and T cells against RSV compared to a prime-boost regime. Antibodies were comprised of neutralizing and total antibodies (IgG) against RSV, as well as IgA antibodies. The latter were also detected in the nasal mucosa where vaccinated subjects on average had a 1.5-fold increase in IgA antibodies over baseline levels. Previous published studies have shown that in RSV human challenge studies, the presence of IgA antibodies in the mucosa is highly correlated with immune protection in subjects who do not develop symptoms of RSV. In those studies, the level of IgA expression seen was similar to the levels of expression detected post-vaccination with MVA-BN RSV.

Follow-up results from the study have shown that after six months, a persistent antibody response against RSV could still be observed.

88 of the subjects that received a single vaccination with either low or high dose of the vaccine in Phase 2 have been re-enrolled to receive another shot of the vaccine, and are being followed for another RSV season to determine whether a single shot administration of vaccine is required annually, or if it remains effective over multiple seasons. Data from this study will become available later in 2018, upon which we expect to initiate end-of-phase 2 meetings with the FDA.

In parallel to the current clinical development, we are exploring the feasibility of a novel placebo-controlled human challenge study planned for initiation in the second half of 2018. We have partnered with SGS, a global contract research organization, to develop a new and differentiated approach to the RSV challenge model that will potentially allow us to more accurately assess the protective benefits of the vaccine when subjects are confronted with a virulent RSV infection. If the model is proven efficacious, volunteers may then be vaccinated and challenged with this particular strain of RSV. Evidence from this study may assist in the planning and design of phase 3 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.

CV301 (active targeted immunotherapy candidate for combination treatment of multiple cancers)
CV301 is an immunotherapy candidate that targets two tumor-associated antigens, CEA and MUC-1, long known to be overexpressed in the majority of solid tumors. Preclinical data shows that 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.

Throughout 2018, four Phase 2 studies of CV301 will be enrolling patients throughout the United States. Patients suffering from cancers of the lung, bladder, colon, and/or pancreas will have access to trials with CV301 in combination with various checkpoint inhibitors from Merck, Roche, Bristol-Myers Squibb, and AstraZeneca.

Our vaccine is in the unique position to potentially demonstrate a broad proof of concept not only in settings where checkpoints have set a new standard of survival, but also in cancers, such as micro-satellite stable colorectal, where checkpoint inhibitors have yet to demonstrate single-agent activity and may require combinations with other agents. Following the failure of PROSTVAC as a monotherapy, adjustments have been implemented to the CV301 clinical strategy to ensure that both financial and clinical risk for these studies are minimized. Two studies are now being conducted through investigator-led initiatives, minimizing costs. Also, the phase 2 bladder cancer study has been amended to include multiple efficacy thresholds, and this study will not enroll additional patients without early indications of activity.

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

In early 2018, the Company initiated an open-label Phase 1 trial to evaluate the safety and tolerability of the MVA-BN® Brachyury vaccine, followed by a brachyury encoded fowlpox (FPV) booster in patients. The trial will enroll up to 10 patients with metastatic or unresectable, locally advanced malignant solid tumors. Patients will receive two prime doses of MVA-BN Brachyury, followed by multiple booster doses with FPV-Brachyury. The primary endpoint of the study is safety and tolerability, and secondary endpoints include immunologic responses as measured by an increase in brachyury-specific T-cells and other tumor-associated antigens, as well as evidence of clinical benefit such as progression-free survival (PFS) and objective response (OR).

Later in 2018, the Company plans to initiate a Phase 2 study that combines the vaccine with radiation in patients with advanced chordoma, a rare spinal tumor which is unique in that it universally expresses brachyury. This study will be conducted in a two-stage design where early signals of efficacy will be required prior to expanding enrollment. A phase 1 trial of MVA-BN Brachyury in 38 patients, including 13 with chordoma, was previously presented at the Society for the Immunotherapy of Cancer (SITC) and demonstrated the ability to generate brachyury specific CD-4 and CD-8 t-cells in approximately 80% of the patients enrolled at the two highest doses administered. In early May, the Company announced that the FDA has granted orphan drug status to BN-Brachyury for the treatment of chordoma. Orphan designation is granted to products in clinical development for use in rare diseases or conditions where no current therapy exists, the Company will also be eligible for the FDA's Orphan Products Clinical Trials Grants Program. At the appropriate time, the Company will also apply for a Breakthrough Therapy Designation with the FDA.

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

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

PROSTVAC (prostate cancer immunotherapy candidate)
PROSTVAC is a prostate specific antigen (PSA)-targeted immunotherapy candidate in Phase 2 development.

The previous Phase 3 study (PROSPECT), which investigated PROSTVAC as a monotherapy in men with metastatic castration-resistant prostate cancer (mCRPC), was discontinued in September 2017 due to futility. The Kaplan-Meier curves showed a substantial overlap between the three treatment arms of the Phase 3 study, which were statistically shown to be not significantly different. Median OS was 34.8, 33.9 and 34.7 months for PROSTVAC, PROSTVAC + GM-CSF and placebo arms respectively, with hazard ratios of 1.02 and 1.03. Detailed results from the study will be presented at an oral session at the ASCO Annual Meeting in Chicago on June 4, 2018 by Dr. James L. Gulley from the National Cancer Institute and principal investigator of the study.

While the PROSPECT study was unable to demonstrate the ability of monotherapy vaccine to extend overall survival, additional learnings from a series of investigator-sponsored Phase 2 studies are ongoing. Two of these studies will also be highlighted at the ASCO Meeting this year:

- The first of these studies, investigating the use PROSTVAC in men with neoadjuvant (early stage) prostate cancer. In this study PROSTVAC treatment is associated with a ≥2X increase in CD8 and CD4 intra/ peritumoral infiltrate in 17/24 and 21/24 pts, respectively. This T cell increase is seen primarily in the periphery of the tumor and may require additional therapies (i.e. checkpoint inhibition) for additional efficacy.
- The second study, highlights the safety of combining PROSTVAC and nivolumab, in men with metastatic disease (mCRPC). Now that safety has been established in late stage disease, the NCI will begin to treat men with neoadjuvant Prostate Cancer, similar to the men treated in the aforementioned monotherapy study. This will allow investigators the opportunity to see if there is synergy in combining vaccine and checkpoint inhibition, for men with early stage disease.

Other developments
In January, the Company announced the planned departure of Executive Vice President and CFO, Ole Larsen. Mr. Larsen will depart the Company by the end of May 2018. A search for the position of Chief Financial Officer is ongoing.

Financial calendar 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

CONSOLIDATED KEY FIGURES (UNAUDITED)

DKK thousand	1/1 - 31/3 2018	1/1 - 31/3 2017	1/1-31/12 2017
Income statements			
Revenue	11,294	197,696	1,370,151
Production costs	19,106	50,135	290,617
Research and development costs	116,634	100,299	518,405
Distribution costs	9,507	8,686	39,878
Administrative costs	38,918	41,695	168,057
Income before interest and taxes (EBIT)	(172,871)	(3,119)	353,194
Financial items, net	(8,814)	(3,133)	(50,914)
Income before company tax	(181,685)	(6,252)	302,280
Net profit for the period	(182,445)	(6,051)	181,343
Balance sheet			
Total non-current assets	401,385	534,524	382,186
Total current assets	2,628,431	2,347,042	2,770,485
Total assets	3,029,816	2,881,566	3,152,671
Equity	2,333,053	2,039,770	2,506,297
Non-current liabilities	399,223	54,131	399,760
Current liabilities	297,540	787,665	246,614
Cash flow statements			
Securities, cash and cash equivalents	2,445,953	2,056,394	2,583,718
Cash flow from operating activities	(206,965)	167,067	216,065
Cash flow from investment activities	(29,433)	(15,286)	(1,345,209)
- Investment in intangible assets	(1,212)	(4,320)	(22,341)
- Investment in property, plant and equipment	(27,695)	(3,730)	(56,357)
- Net investment in securities	(407)	(7,037)	(1,266,598)
Cash flow from financing activities	110,353	6,055	613,441
Financial Ratios (DKK) [1)]			
Earnings (basic) per share of DKK 10	(5.7)	(0.2)	5.7
Net asset value per share	72.4	64.9	77.7
Share price at period-end	189	354	224
Share price/Net asset value per share	2.6	5.5	2.9
Number of outstanding shares at period-end	32,245	31,424	32,245
Equity share	77%	71%	79%
Number of employees, converted to full-time, at period-end	414	441	439

[1)] Earnings per share (EPS) is calculated in accordance with IAS 33 "Earning per share". Other financial ratios have been calculated in accordance with the guidelines from the Danish Society of Financial Analysts.

Notes
(stated in the end of this document):

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

FINANCIAL STATEMENT FOR THE PERIOD JANUARY 1 – MARCH 31, 2018

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

- Revenue generated for the three months ending March 31, 2018 was DKK 11 million (DKK 198 million).
- The income before interest and tax (EBIT) was a loss of DKK 173 million (loss of DKK 3 million).
- As of March 31, 2018, the Group's cash preparedness was DKK 2,355 million (DKK 2,604 million as of December 31, 2017), including unutilized credit lines of DKK 20 million (DKK 20 million as of December 31, 2017).

Revenue generated for the three months ending March 31, 2018 was DKK 11 million (DKK 198 million). Revenue was composed of DKK 4 million (DKK 5 million) from the sale of IMVAMUNE final drug product and DKK 7 million (DKK 12 million) from contract work. In first quarter 2017 revenue from the sale of IMVAMUNE bulk drug substance to U.S. Government amounted to DKK 180 million.

The production costs totaled DKK 19 million (DKK 50 million). Costs related directly to revenue amounted to DKK 5 million (DKK 49 million). Other production costs totaled DKK 14 million (DKK 1 million).

Research and development costs totaled DKK 117 million (DKK 100 million). The increase is mainly related to the RSV and Brachyury development programs. As the IMVAMUNE development asset was fully amortized in 2017, no prior-year IMVAMUNE development costs have been expensed in first quarter 2018. In first quarter 2017 expensing of prior-year IMVAMUNE development costs amounted to DKK 15 million.

Distribution costs totaled DKK 10 million (DKK 9 million) and administrative costs totaled DKK 39 million (DKK 42 million).

The income before interest and tax (EBIT) was a loss of DKK 173 million (loss of DKK 3 million).

Financial items totaled a net expense of DKK 9 million (net expense of DKK 3 million). Net income from securities amounted to DKK 0 million (DKK 2 million), net loss on derivative financial instruments amounted to DKK 2 million (net gain of DKK 10 million), interest expenses on debt amounted to DKK 4 million (DKK 1 million) and negative exchange rate adjustments amounted to DKK 3 million (DKK 14 million).

Income before company tax was a loss of DKK 182 million (loss of DKK 6 million).

Tax on income was DKK 1 million (DKK 0 million). The Danish tax loss carry forward related to the result for first quarter 2018 has been fully written-down. The deferred tax asset remains at DKK 0 million. The Company retains the right to use the tax loss carry forward (tax value DKK 286 million) and the other tax assets (tax value DKK 34 million) that has been written-down. The development in the deferred tax asset is shown in note 13.

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

For the first three months of 2018, Bavarian Nordic reported a net loss of DKK 182 million (net loss of DKK 6 million).

Securities, cash and cash equivalents decreased by DKK 138 million compared to December 31, 2017. During first quarter 2018 DKK 28 million was spent on investments in property, plant and equipment, mainly related to the construction of the new fill/finish manufacturing line in Kvistgaard.

Debt to credit institutions have increased by DKK 111 million as the Company has entered into transactions that transfer ownership of securities to a counterparty, while the Company retains the risks associated with the holding of the securities. As the Company retains all risks, the securities remain in the balance sheet, and the transactions are accounted for as loans received against collateral. See further details in note 14.

As of March 31, 2018, the Group's cash preparedness was DKK 2,355 million (DKK 2,604 million as of December 31, 2017):

DKK million	31/3 2018	31/3 2017	31/12 2017
Securities	2.296	1.051	2.301
Cash and cash equivalents	150	1.005	283
Securites, cash and cash equivalents	2.446	2.056	2.584
Unutilized credit facility	20	392	20
Repo transactions loan	(111)	-	-
Cash preparedness	**2.355**	**2.448**	**2.604**
European Investment Bank (bullet loan with expiry in 2022)	372	-	372

Cash flow spend on operating activities was DKK 207 million (contribution of DKK 167 million), mainly driven by the net loss of DKK 182 million (net loss of DKK 6 million). Cash flow spend on investment activities was DKK 29 million (DKK 15 million), mainly for the construction of the new fill/finish manufacturing line. Cash flow from financing activities contributed with DKK 110 million (DKK 6 million) primarily from the concluded repo transactions. The net change in cash and cash equivalents was DKK -126 million (DKK 158 million).

The Group's equity as of March 31, 2018 stood at DKK 2,333 million (DKK 2,506 million as of December 31, 2017).

Financial expectations
Bavarian Nordic maintains its financial expectations for 2018 as announced March 12, 2018. The Company still expects revenues of approximately DKK 500 million for the full year, a loss before interest and tax (EBIT) of approximately DKK 385 million and a cash preparedness at year-end of approximately DKK 1,850 million.

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

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

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

STATEMENT FROM THE BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

The Board of Directors and Corporate Management have, today reviewed and approved the Bavarian Nordic A/S interim report for the period January 1 to March 31, 2018.

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

In our opinion, the interim report gives a true and fair view of the group's assets and liabilities and financial position as of March 31, 2018, and the results of the group's activities and cash flows for the period January 1 to March 31, 2018.

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

Kvistgaard, May 24, 2018

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*	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 March 31, 2018 and 2017

DKK thousand	Note	1/1 - 31/3 2018	1/1 - 31/3 2017	1/1-31/12 2017
Revenue	3	11,294	197,696	1,370,151
Production costs	4	19,106	50,135	290,617
Gross profit		**(7,812)**	**147,561**	**1,079,534**
Research and development costs	5	116,634	100,299	518,405
Distribution costs		9,507	8,686	39,878
Administrative costs		38,918	41,695	168,057
Total operating costs		**165,059**	**150,680**	**726,340**
Income before interest and tax (EBIT)		**(172,871)**	**(3,119)**	**353,194**
Financial income	6	5,594	14,177	56,426
Financial expenses	7	14,408	17,310	107,340
Income before company tax		**(181,685)**	**(6,252)**	**302,280**
Tax on income for the period		760	(201)	120,937
Net profit for the period		**(182,445)**	**(6,051)**	**181,343**
Earnings per share (EPS) - DKK				
Basic earnings per share of DKK 10		(5.7)	(0.2)	5.7
Diluted earnings per share of DKK 10		(5.7)	(0.2)	5.7

Unaudited Condensed Consolidated Statements of Comprehensive Income for the Periods Ended March 31, 2018 and 2017

DKK thousand	1/1 - 31/3 2018	1/1 - 31/3 2017	1/1-31/12 2017
Net profit for the period	**(182,445)**	**(6,051)**	**181,343**
Items that might be reclassified to the income statement:			
Exchange rate adjustments on translating foreign operations	70	5,711	50,896
Fair value of financial instruments entered into to hedge future cash flows	144	183	130
Tax on other comprehensive income	-	(40)	(57)
Other comprehensive income after tax	**214**	**5,854**	**50,969**
Total comprehensive income	**(182,231)**	**(197)**	**232,312**

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

DKK thousand	Note	31/3 2018	31/3 2017	31/12 2017
Assets				
Software		28,027	8,617	27,288
IMVAMUNE development project		-	47,614	-
Intangible assets in progress		2,395	15,565	5,704
Intangible assets		**30,422**	**71,796**	**32,992**
Land and buildings		191,801	201,482	194,155
Leasehold improvements		1,225	1,293	1,329
Plant and machinery		60,612	56,806	56,986
Fixtures and fittings, other plant and equipment		21,722	22,832	20,531
Assets under construction		94,268	36,838	74,977
Property, plant and equipment		**369,628**	**319,251**	**347,978**
Other receivables		1,335	1,502	1,216
Financial assets		**1,335**	**1,502**	**1,216**
Deferred tax assets	13	**-**	**141,975**	**-**
Total non-current assets		**401,385**	**534,524**	**382,186**
Development projects for sale		**22,200**	**70,069**	**22,200**
Inventories	8	**113,351**	**186,820**	**111,847**
Trade receivables		12,011	13,099	19,396
Tax receivables		5,396	5,125	5,396
Other receivables	9	21,588	11,593	22,916
Prepayments		7,932	3,942	5,012
Receivables		**46,927**	**33,759**	**52,720**
Securities		2,295,606	1,051,226	2,301,197
Cash and cash equivalents		150,347	1,005,168	282,521
Securites, cash and cash equivalents		**2,445,953**	**2,056,394**	**2,583,718**
Total current assets		**2,628,431**	**2,347,042**	**2,770,485**
Total assets		**3,029,816**	**2,881,566**	**3,152,671**

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

DKK thousand	Note	31/3 2018	31/3 2017	31/12 2017
Equity and liabilities				
Share capital		322,451	314,236	322,451
Treasury shares		(233)	(111)	(233)
Retained earnings		1,974,438	1,733,084	2,156,883
Other reserves		36,397	(7,439)	27,196
Equity		**2,333,053**	**2,039,770**	**2,506,297**
Provisions		-	24,949	-
Debt to credit institutions	10	399,223	29,182	399,760
Non-current liabilities		**399,223**	**54,131**	**399,760**
Debt to credit institutions	10	113,042	2,136	2,152
Prepayment from customers	11	77,945	635,206	79,617
Trade payables		36,261	42,126	82,901
Company tax		165	-	139
Other liabilities	12	70,127	108,197	81,805
Current liabilities		**297,540**	**787,665**	**246,614**
Total liabilities		**696,763**	**841,796**	**646,374**
Total equity and liabilities		**3,029,816**	**2,881,566**	**3,152,671**

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

DKK thousand	1/1 - 31/3 2018	1/1 - 31/3 2017	1/1-31/12 2017
Net profit for the period	**(182,445)**	**(6,051)**	**181,343**
Adjustment for non-cash items:			
Financial income	(5,594)	(14,177)	(56,426)
Financial expenses	14,408	17,310	107,340
Tax on income for the period	760	(201)	120,937
Depreciation, amortization and impairment losses	9,841	11,350	37,529
Expensing (amortization) of IMVAMUNE development project	-	15,054	69,515
Share-based payment	8,802	16,529	26,797
Adjustment for other non-cash items	-	-	45,164
Changes in inventories	(1,504)	(39,837)	35,136
Changes in receivables	6,355	132,396	114,088
Changes in provisions	-	-	-
Changes in current liabilities	(60,552)	54,209	(462,262)
Cash flow from operations (operating activities)	**(209,929)**	**186,582**	**219,161**
Received financial income	4,940	1,039	19,707
Paid financial expenses	(1,243)	(17,026)	(16,498)
Paid company taxes	(733)	(3,528)	(6,305)
Cash flow from operating activities	**(206,965)**	**167,067**	**216,065**
Investments in and additions to intangible assets	(1,212)	(4,320)	(22,341)
Investments in property, plant and equipment	(27,695)	(3,730)	(56,357)
Investments in/disposal of financial assets	(119)	(199)	87
Investments in securities	(286,841)	(133,127)	(2,162,790)
Disposal of securities	286,434	126,090	896,192
Cash flow from investment activities	**(29,433)**	**(15,286)**	**(1,345,209)**
Payment on loans	(538)	(532)	(2,133)
Proceeds from loans	110,891	-	372,195
Proceeds from warrant programs exercised	-	6,612	40,858
Proceeds from private placement	-	-	207,482
Cost related to issue of new shares	-	(25)	(707)
Purchase of treasury shares	-	-	(4,254)
Cash flow from financing activities	**110,353**	**6,055**	**613,441**
Cash flow of the period	**(126,045)**	**157,836**	**(515,703)**
Cash as of 1 January	282,521	853,596	853,596
Currency adjustments 1 January	(6,129)	(6,264)	(55,372)
Cash end of period	**150,347**	**1,005,168**	**282,521**

Unaudited Condensed Consolidated Statements of Changes in Equity for the Periods March 31, 2018 and 2017

DKK thousand	Share capital	Treasury shares	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity
Equity as of January 1, 2018	**322,451**	**(233)**	**2,156,883**	**(37,502)**	**(129)**	**64,827**	**2,506,297**
Comprehensive income for the period							
Net profit	-	-	(182,445)	-	-	-	(182,445)
Other comprehensive income							
Exchange rate adjustments on translating foreign operations	-	-	-	70	-	-	70
Fair value of financial instruments	-	-	-	-	144	-	144
Total comprehensive income for the period	**-**	**-**	**(182,445)**	**70**	**144**	**-**	**(182,231)**
Transactions with owners							
Share-based payment	-	-	-	-	-	8,987	8,987
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**8,987**	**8,987**
Equity as of March 31, 2018	**322,451**	**(233)**	**1,974,438**	**(37,432)**	**15**	**73,814**	**2,333,053**

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**

NOTES

1. Significant accounting policies

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

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

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

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

2. Significant accounting estimates, assumptions and uncertainties

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

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

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

DKK thousand	1/1 - 31/3 2018	1/1 - 31/3 2017	1/1-31/12 2017
3. Revenue			
IMVAMUNE sale	4,380	185,349	874,307
Sale of goods	4,380	185,349	874,307
Upfront payment, PROSTVAC	-	-	398,538
Contract work	6,914	12,347	97,306
Sale of services	6,914	12,347	495,844
Revenue	**11,294**	**197,696**	**1,370,151**
4. Production costs			
Cost of goods sold, IMVAMUNE sale	167	42,511	221,210
Contract costs	4,530	6,787	61,772
Other production costs	14,409	837	7,635
Production costs	**19,106**	**50,135**	**290,617**
5. Research and development costs			
Research and development costs occured in the period	121,164	93,749	519,226
Of which:			
Contract costs recognized as production costs	(4,530)	(6,787)	(61,772)
Capitalized development costs	-	(1,717)	(8,564)
	116,634	85,245	448,890
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	-	15,054	69,515
Research and development costs	**116,634**	**100,299**	**518,405**
6. Financial income			
Financial income from bank and deposit contracts	125	29	644
Interest income from financial assets not measured at fair value through the income statement	125	29	644
Financial income from securities	5,469	4,267	20,817
Adjustment of net present value of provisions	-	-	22,245
Net gains on derivative financial instruments at fair value through the income statement (held for trading)	-	9,881	12,720
Financial income	**5,594**	**14,177**	**56,426**

DKK thousand	1/1 - 31/3 2018	1/1 - 31/3 2017	1/1-31/12 2017
7. Financial expenses			
Interest expenses on debt	3,677	820	5,678
Interest expenses on financial liabilities not measured at fair value through the income statement	3,677	820	5,678
Fair value adjustments on securities	5,919	2,243	12,319
Net loss on derivative financial instruments at fair value through the income statement (held for trading)	1,511	-	-
Net foreign exchange losses	3,301	14,247	89,343
Financial expenses	**14,408**	**17,310**	**107,340**

DKK thousand	31/3 2018	31/3 2017	31/12 2017
8. Inventories			
Raw materials and supply materials	31,559	40,306	31,805
Work in progress	141,564	250,225	129,607
Manufactured goods and commodities	2,972	11,682	3,140
Write-down on inventory	(62,744)	(115,393)	(52,705)
Inventories	**113,351**	**186,820**	**111,847**
Write-down on inventory 1 January	(52,705)	(110,697)	(110,697)
Write-down during the period	(10,039)	(4,696)	(23,199)
Use of write-down	-	-	81,191
Write-down end of period	**(62,744)**	**(115,393)**	**(52,705)**
9. Other receivables			
Receivable VAT and duties	8,639	4,402	10,715
Financial instruments at fair value	93	-	-
Accrued interest	12,856	7,191	12,201
Other receivables	**21,588**	**11,593**	**22,916**
10. Debt to credit institutions			
Mortgage	29,179	31,318	29,717
European Investment Bank (loan in DKK)	372,195	-	372,195
Repo transactions	110,891	-	-
Debt to credit institutions	**512,265**	**31,318**	**401,912**
11. Prepayment from customers			
Prepayments from customers as of January 1	79,617	530,645	530,645
Prepayments received during the period	-	167,731	704,813
Recognized as income during the period	(1,672)	(63,170)	(1,155,841)
Prepayments from customers end of period	77,945	**635,206**	**79,617**
12. Other liabilities			
Financial instruments at fair value	1,032	11,451	129
Liability relating to phantom shares	1,247	13,152	2,723
Payable salaries, holiday accrual etc.	48,312	51,221	59,960
Deposit and prepaid rent from sub-tenants	1,670	-	1,640
Other accrued costs	17,866	32,373	17,353
Other liabilities	**70,127**	**108,197**	**81,805**

13. Deferred tax asset

DKK thousand	January 1, 2018	Recognized in the income statement	Recognized in equity	March 31, 2018
Intangible assets	5,366	(415)	-	4,951
Property, plant and equipment	6,602	885	-	7,487
Development projects for sale	17,420	-	-	17,420
Prepayment from customers	-	-	-	-
Financial instruments	28	-	(32)	(4)
Share-based payment	10,441	(2,053)	(4,093)	4,295
Tax losses carried forward	241,859	44,326	-	286,185
Write down - tax losses carried forward	(281,716)	(42,743)	4,125	(320,334)
Recognized deferred tax assets	**-**	**-**	**-**	**-**

14. Transferred financial assets that are not derecognized

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

DKK thousand	31/3 2018	31/3 2017	31/12 2017
Carrying amount of transferred securities	111,146	-	-
Carrying amount of associated liabilities (repo transactions)	(110,891)	-	-
Net position	**255**	**-**	**-**

15. Financial instruments

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

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

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

Fair value hierarchy for financial instruments measured at fair value

As of March 31, 2018

DKK thousand	Level 1	Level 2	Total
Securities	2,295,606	-	2,295,606
Financial assets measured at fair value through the income statement	**2,295,606**	**-**	**2,295,606**
Derivative financial instruments to hedge future cash flow (interest)	-	14	14
Financial assets/liabilities used as hedging instruments	**-**	**14**	**14**
Derivative financial instruments at fair value through the income statement	-	(953)	(953)
Liability relating to phantom shares	-	(1,247)	(1,247)
Financial liabilities measured at fair value through the income statement	**-**	**(2,200)**	**(2,200)**

As of December 31, 2017

DKK thousand	Level 1	Level 2	Total
Securities	2,301,197	-	2,301,197
Financial assets measured at fair value through the income statement	**2,301,197**	**-**	**2,301,197**
Derivative financial instruments to hedge future cash flow (interest)	-	(129)	(129)
Financial assets/liabilities used as hedging instruments	**-**	**(129)**	**(129)**
Liability relating to phantom shares	-	(2,723)	(2,723)
Financial liabilities measured at fair value through the income statement	**-**	**(2,723)**	**(2,723)**

16. Incentive plans

Outstanding warrants as of March 31, 2018

	Outstanding as of January 1	Addition during the period	Options exercised	Annulled	Terminated	Trans-ferred	Outstanding as of March 31
Board of Directors	20,000	-	-	-	-	-	20,000
Corporate Management	375,770	-	-	-	-	-	375,770
Other Group Management	103,877	-	-	-	-	-	103,877
Other employees	842,572	-	-	-	-	-	842,572
Retired employees	117,463	-	-	-	-	-	117,463
Total	**1,459,682**	**-**	**-**	**-**	**-**	**-**	**1,459,682**
Weighted average exercise price	**266**	**-**	**-**	**-**	**-**	**-**	**266**
Weighted average share price at exercise	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Numbers of warrants which can be exercised as of March 31, 2018	318,400
at a weighted average exercise price of DKK	121

The total recognized cost of the warrant programs was DKK 7.2 million in the first three months of 2018 (DKK 3.8 million).

Specification of parameters for Black-Scholes model

DKK	Aug 2013	Dec 2013	Aug 2014	Dec 2015	Dec 2016	Jul 2017	Nov 2017
Average share price	68.00	82.00	117.50	334.00	222.50	383.50	259.50
Average exercise price at grant	73.90	96.50	131.40	366.85	260.20	430.45	303.03
Expected volatility rate	36.4%	35.4%	39.7%	53.8%	44.6%	44.1%	52.4%
Expected life (years)	3.3	3.3	3.3	3.3	3.0	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%	-0.55%
Fair value at grant [1)]	16	17	29	115	54	98	80

The expected volatility is based on the historical volatility.

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

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

18. Significant events after the balance sheet date
No significant events have occurred since March 31, 2018.

19. Approval of the unaudited condensed consolidated interim financial statements
The unaudited condensed consolidated interim financial statements were approved by the Board of Directors and Corporate Management and authorized for issue on May 24, 2018.