ANNUAL REPORT **2015**

BAVARIAN NORDIC

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A STRONG PERFORMANCE

LETTER FROM THE CHAIRMAN

The year 2015 has been a year of exceptionally strong performance for Bavarian Nordic, largely driven by the partnerships we have established with industry giants like Bristol-Myers Squibb and Janssen. We are proud of these deals which have validated our ability to make significant innovation and make products that are meaningful for the healthcare community and for patients.

Our long term relations with the United States were yet again confirmed with new, large research, development and supply contracts. Yet, we see more synergies to be explored, and therefore, as we continue to evaluate our financing options based on market conditions, we recently announced a prospective registered public offering in the United States of our American Depositary Shares, the timing and terms of which have not yet been determined. Together with our solid cash preparedness, proceeds from any prospective share issuance would enable us to rapidly progress new projects, such as MVA-BN RSV and CV-301, as well as continue to expand our manufacturing infrastructure.

In 2015, we established two subcommittees to support the board in its duties: a Finance, Risk and Audit Committee and a Nomination and Compensation Committee. Furthermore, Dr. Frank Verwiel was appointed observer to the board and we intend to nominate him for election at the ordinary general meeting in April 2016. Dr. Verwiel previously served as President & CEO of Aptalis Pharma, Inc., and currently serves as member of the boards of Achillion Pharmaceuticals, Inc., AveXis, Inc. and Obseva SA. He brings specific strong U.S. biotech experience to the board.

Our executive management was changed during the year and now consists of Paul Chaplin, CEO and Ole Larsen, CFO to form a new leadership team that the Board believes is capable of taking the Company forward into the future.

2016 is looking to be another busy year for Bavarian Nordic. We have set new ambitious targets for the company as we believe there are additional opportunities to further unlock significant value from our pipeline and other assets. I would like to thank my fellow board members, executive management and all Bavarian Nordic personnel for their dedication and hard work to continuously drive Bavarian Nordic forward towards these ambitious targets.

Gerard WM van Odijk
Chairman of the Board of Directors

BREAKTHROUGH OF THE YEAR

LETTER FROM THE CEO

In 2015 we closed another successful year and accomplished more than we set out in terms of new delivery and research contracts worth more than USD 180 million, achieving important clinical milestones and entering into new partnerships.

These achievements have helped set the platform for growing an even stronger company in the coming years. We are pleased that this positive development has rewarded our shareholders with an increase of more than 80% in the Bavarian Nordic share price during the year.

An especially rewarding moment was when we received the Breakthrough of the Year award at the European Mediscience Awards ceremony in London. Although this breakthrough was related to our combined efforts with Janssen to develop an Ebola vaccine, we see Bavarian Nordic breaking through many frontiers. The partnerships we have recently entered with Janssen and Bristol-Myers Squibb represent important validations of our technology and manufacturing expertise, which we intend to leverage to broaden the commercial potential of our pipeline in pursuit of our growth strategy.

For the fourth year in a row, we have generated more than DKK 1 billion in revenues, allowing significant investments in our pipeline projects, while also recording a break-even result. Importantly, we have improved our cash preparedness, which allows us to pursue an accelerated development plan for exciting high potential projects like RSV, which represents a large market opportunity as no vaccines currently exist. We expect to report Phase 1 data for RSV in the first half of 2016, leading to the anticipated initiation of Phase 2 studies in different target populations in the second half of 2016..

PROSTVAC – Phase 3 results and more in sight

The paramount event of 2015 was no doubt the entering of the PROSTVAC agreement with Bristol-Myers Squibb. As a global leader in immuno-oncology, Bristol-Myers Squibb provides a powerful partner to explore the full potential of PROSTVAC in the future treatment paradigm of prostate cancer.

Results from the Phase 3 study of PROSTVAC are highly anticipated, and while final data are expected in 2017, we have just recently received results of the first of three planned interim analyses, which confirmed that the study should continue without modification as expected. Meanwhile, through our partnership with the U.S. National Cancer Institute (NCI) three additional Phase 2 studies were initiated, which means that excluding the PROSPECT Phase 3 there are now seven investigational studies evaluating PROSTVAC as either a mono-therapy, or in combination with other anti-androgen or chemotherapy products in various stages of prostate cancer disease. These studies will generate a wealth of data in the coming months / years that will assist in the commercialization of PROSTVAC in the treatment of prostate cancer.

IMVAMUNE/IMVANEX – an intermezzo year

While revenues in 2015 were primarily driven by our manufacturing and supply of Ebola vaccine to Janssen, IMVAMUNE/IMVANEX remains an important asset to our company. We have come far in the transformation process for the freeze-dried version of the vaccine, which is designed to fulfil the U.S. long-term require-

ments. Under the new USD 133 million contract awarded to us by the U.S. Government in July 2015, we will manufacture bulk vaccine which will be converted into freeze-dried vaccine, once we have fulfilled all requirements to supply the new and improved formulation to the Strategic National Stockpile (SNS) and the anticipated contract for freeze-dried has been formalized.

We also saw Canada place new orders for IMVAMUNE/IMVANEX – not only to maintain, but also expand their stockpile of smallpox vaccine. In 2016 and beyond, we anticipate additional orders from Canada, but also from other countries that have recognized the need for updating their biological preparedness to include a non-replicating smallpox vaccine. Hence we expect IMVAMUNE/IMVANEX to continue to be an important revenue driver in the years ahead, thus supporting further investments in our pipeline.

Expansion of the collaboration with Janssen
Together with our partner Janssen, we have set new industry standards in vaccine development by taking a preclinical Ebola vaccine to Phase 3 within nine months and successfully scaled-up production to manufacture more than 2 million doses of the vaccine regimen during the year. The clinical data strongly support combining our MVA-BN technology with Janssen's technology for Ebola, which encouraged Janssen to take a second license for our MVA-BN technology to develop a therapeutic vaccine against human papillomavirus (HPV) in December. We hope to further expand the strong collaboration with Janssen, who still retain options for licensing our technology for two additional indications.

At the forefront of emerging cancer therapies
Science continues to bring new and improved cancer therapies to the market. Despite these advances, cures remain elusive. Nevertheless, the hopes and efforts to get there are maybe stronger than ever. In January 2016, President Barack Obama announced a new and ambitious initiative called Cancer MoonShot 2020 – a desire to form a coalition of pharmaceutical and biotechnology companies, academic centers and community oncologists seeking to accelerate the potential of combination immunotherapy as the next generation standard of care in cancer patients.

Having worked for almost a decade with the U.S NCI in the development of new cancer therapies, we are pioneers in this field and it is our ambition to stay at the forefront of this development. We have already generated clinical data providing evidence of synergistic advantages by combining our immunotherapy platform with other therapies, and we intend to leverage this experience, initially by accelerating the development of our CV-301 vaccine candidate as combination therapy for multiple cancers. Starting in 2016, we plan to initiate a Phase 2 trial of CV-301 in lung cancer followed by additional trials in other cancer indications.

Further growth and opportunities
So, 2016 is looking to be another busy and important year for Bavarian Nordic with progress planned in all key areas. In fact, by year-end we anticipate more than 20 ongoing clinical trials of our various vaccine candidates, which is an all-time high for Bavarian Nordic. Furthermore, we will continue to build and expand our experience in vaccine manufacturing, which not only increases our flexibility, but also positions us well for additional collaborations in the future.

All these efforts have built a solid foundation for Bavarian Nordic. I would like to thank both our employees and shareholders for their continued support and contribution to the success of our company. I hope you will stay on that path with us and that the journey will stay rewarding.

Paul Chaplin
President & CEO

VACCINES FOR A BETTER WORLD

At Bavarian Nordic we develop, manufacture and commercialize novel vaccines for the prevention of life-threatening infectious diseases and the treatment of cancer. We focus on diseases for which the unmet medical need is high and for which we can harness the power of the immune system to induce a response.

We have developed our live virus vaccine platform over more than 20 years with the goal of protecting the world's general and at-risk populations by providing highly immunogenic and differentiated technologies with a favorable safety profile.

Our expertise in this field has led to a 10+ year long relationship with the U.S. Government, pursuant to which we have been awarded more than USD 1.2 billion in contracts. Our revenue from these contracts and from our commercial partnerships has enabled us to invest significant capital into research and development activities, the expansion of our production infrastructure and the advancement of our clinical pipeline.

A GLOBAL TOUCH

Diseases are global, and so are we. Based on research and development from scientists in Bavaria, Germany, we were founded and headquartered in Denmark in 1994. Our activities have since broadened to include our own commercial-scale manufacturing facility in Denmark, clinical development in California, USA and offices in Washington, DC, USA, employing a total of more than 400 employees.

We are listed on Nasdaq Copenhagen under the ticker symbol BAVA.

BIOTECH WITH AN EDGE

3 POXVIRUSES

Our poxvirus-based vaccine platform **technology** has the potential to address a variety of infectious diseases and cancers.

7 CLINICAL STAGE PROGRAMS

Our clinical **pipeline** currently contains seven clinical programs which are subject to more than 15 ongoing clinical studies.

30 M DOSES

We have produced more than 30 million vaccine doses at our **manufacturing** facility to-date.

1 APPROVED PRODUCT

Our first **product**, IMVAMUNE/IMVANEX smallpox vaccine is approved in EU and Canada and has generated a significant and sustained revenue stream from deliveries to the U.S. under their national emergency rules.

2 COMMERCIAL PARTNERSHIPS

Our recent **partnerships** with Janssen and Bristol-Myers Squibb provide commercial validation to our technology and manufacturing and as well as new opportunities for expanding our pipeline.

COMPETITIVE ADVANTAGES

As a fully integrated biotechnology company, we have several key competitive advantages in developing, producing and commercializing live virus vaccines:

EXISTING REVENUE GENERATION ADVANCES OUR GROWTH

Our existing revenue generation from our government research and development and supply contracts and from our commercial partnerships can be used to invest in the advancement of our current development pipeline.

FULLY OPERATIONAL, COMMERCIAL-SCALE CGMP PRODUCTION FACILITY

Our ability to effectively and efficiently produce our live virus vaccines has been demonstrated by our production of 28 million doses of IMVAMUNE/IMVANEX smallpox vaccine and more than 2 million doses of our MVA-BN Filo product candidate for Ebola to date.

MODULAR AND PROPRIETARY VACCINE TECHNOLOGY

Our vaccine platform takes a modular approach to live virus vaccine development and is based on the use of three types of poxviruses (MVA-BN, vaccinia and fowlpox) that can be used in various combinations for both the primer and booster applications.

ONGOING RELATIONSHIPS WITH GOVERNMENT AGENCIES

We have entered into research and development contracts with the U.S. Government worth more than USD 1.2 billion in revenue. Contract partners include HHS, NIH, BARDA, NCI, DOD, and the DHS.

VALIDATING COLLABORATIONS WITH BRISTOL-MYERS SQUIBB AND JANSSEN

We have a global commercialization agreement for PROSTVAC with Bristol-Myers Squibb. In addition, we have a partnership with Janssen, under which we have out-licensed our MVA-BN vaccine technology for Ebola and HPV vaccines.

A MULTI-PRONGED STRATEGY

MAINTAIN THE GLOBAL LEADERSHIP OF OUR IMVAMUNE/IMVANEX FRANCHISE

We intend to maximize the value of this franchise by developing a longer lasting freeze-dried formulation, potentially expanding the addressable patient population in the United States. Furthermore we intend to expand the end market of IMVAMUNE/IMVANEX to include other countries and governments across the world, most notably in Europe.

RAPIDLY ADVANCE OUR PIPELINE OF INFECTIOUS DISEASE PROGRAMS

We intend to utilize our proprietary vaccine platforms to expand the infectious disease vaccine pipeline to meet high unmet medical needs such as RSV. We also intend to achieve global leadership in Ebola preparedness through our collaboration with Janssen, with whom we will also continue to explore our MVA-BN technology, initially focusing on a therapeutic HPV vaccine.

MAXIMIZE PROSTVAC'S COMMERCIAL POTENTIAL AS MONOTHERAPY AND IN COMBINATION REGIMENS

We believe that PROSTVAC has significant commercial potential as both a monotherapy and as part of a combination regimen in multiple stages of prostate cancer. We therefore seek to maximize this potential through our collaborations with Bristol-Myers Squibb and National Cancer Institute.

ESTABLISH A BROAD AND DEEP **CANCER IMMUNOTHERAPY FRANCHISE**

We intend to expand and advance our pipeline by demonstrating that our vaccine candidates, CV-301 and MVA-BN Brachyury, can be synergistic with other cancer immunotherapies.

CONTINUE TO EVALUATE VALUE-MAXIMIZING **COLLABORATIONS/PARTNERSHIPS**

We have established collaborations with the NCI, NIH, BARDA, Bristol-Myers Squibb and Janssen, and believe that these relationships are key to maximizing the value of our assets. We seek to enter additional collaborations to maximize value after we have established clinical proof of concept in humans for earlier-stage programs.

DISEASES ARE GLOBAL

Regional outbreaks of emerging diseases, such as Ebola and Zika viruses, have recently caused worldwide concern, and demonstrate that there is a lack of preparedness and funding of medical countermeasure development. Joint global efforts are required to meet the challenges of tomorrow's diseases.

>30 MILLION

Globally, more than 30 million people are infected with respiratory syncytial virus (RSV) every year. There is no licensed vaccine for the virus, which causes a similar number of hospitalizations and deaths as influenza.

INFECTIOUS DISEASES

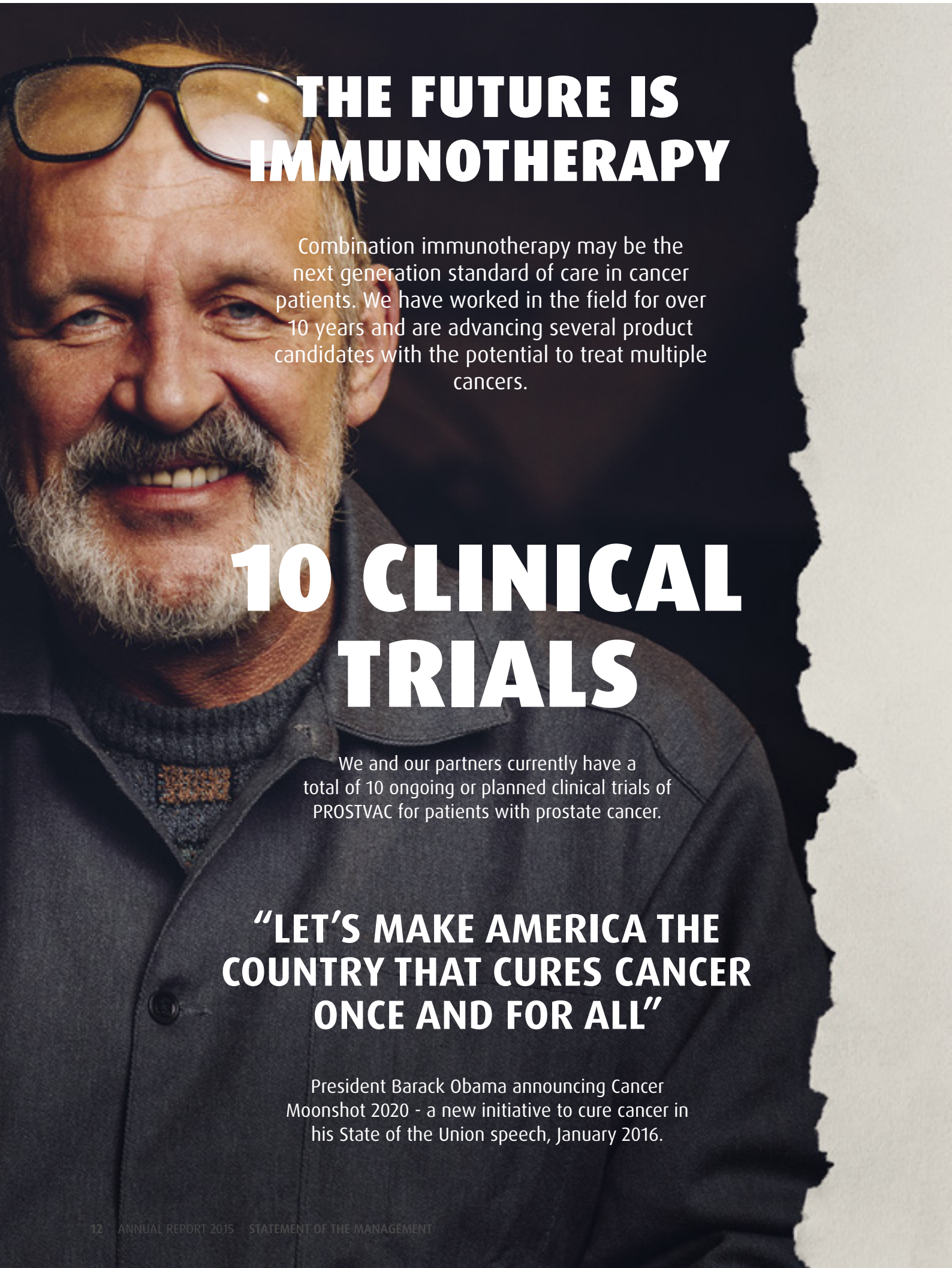
We have leveraged our live virus vaccine platform to create a commercial smallpox vaccine and a pipeline of infectious disease vaccine candidates. While most of the development is sponsored by the U.S. Government or our partner Janssen, we have initiated our own program for the development of an RSV vaccine, which we believe represents a large commercial market.

Product	Indication	Phase 1	Phase 2	Phase 3	Market
IMVAMUNE/IMVANEX liquid-frozen*	Smallpox				●
IMVAMUNE/IMVANEX liquid-frozen**	Smallpox			●	
IMVAMUNE/IMVANEX freeze-dried	Smallpox		●		
MVA-BN Filo	Ebola/Marburg			●	
MVA-BN RSV	Respiratory Syncytial Virus (RSV)	●			

* Approved in Canada and the European Union
** Phase 3 in the U.S.

Janssen
PHARMACEUTICAL COMPANIES OF Johnson & Johnson

In October 2014 we entered into a license agreement with Janssen for our MVA-BN Filo vaccine for use on a prime-boost vaccine regimen against Ebola. The collaboration was further expanded in December 2015, where Janssen took a license for MVA-BN for use in a therapeutic HPV vaccine.



THE FUTURE IS IMMUNOTHERAPY

Combination immunotherapy may be the next generation standard of care in cancer patients. We have worked in the field for over 10 years and are advancing several product candidates with the potential to treat multiple cancers.

10 CLINICAL TRIALS

We and our partners currently have a total of 10 ongoing or planned clinical trials of PROSTVAC for patients with prostate cancer.

"LET'S MAKE AMERICA THE COUNTRY THAT CURES CANCER ONCE AND FOR ALL"

President Barack Obama announcing Cancer Moonshot 2020 - a new initiative to cure cancer in his State of the Union speech, January 2016.

CANCER IMMUNOTHERAPIES

Using our live virus vaccine platform, we have built a pipeline of novel, off-the-shelf immunotherapy candidates for major cancers with large unmet medical needs. Targeted active immunotherapy candidates for the treatment of cancer are part of a promising field of research, which harnesses the power of the immune system to fight cancer. By eliciting a robust and broad anticancer immune response, immunotherapies aim to decrease the tumor growth rate, potentially resulting in a prolonged overall survival while maintaining a favorable risk-benefit profile.

This offers a strong scientific rationale to evaluate active immunotherapy not only as monotherapy, but also in combination with other treatments, including immune checkpoint inhibitors, hormonal therapy, chemotherapy, and radiation therapy.

Product	Indication	Phase 1	Phase 2	Phase 3	Market
PROSTVAC	mCRPC*			●	
PROSTVAC	Localized prostate cancer		●		
PROSTVAC (neoadjuvant)	Localized prostate cancer		●		
PROSTVAC	Non-metastatic castration sensitive prostate cancer		●		
PROSTVAC + enzalutamide	Non-metastatic prostate cancer		●		
PROSTVAC + docetaxel	Metastatic castration sensitive prostate cancer		●		
PROSTVAC + enzalutamide	mCRPC		●		
PROSTVAC + ipilimumab	Prostate cancer	●			
CV-301	Bladder Cancer		●		
MVA-BN Brachyury	Solid Tumors	●			

* mCRPC: Metastatic castration-resistant prostate cancer
* Approved in the European Union under the trade name IMVANEX®

Bristol-Myers Squibb

In March 2015, we signed an agreement with Bristol-Myers Squibb providing them an exclusive option to license and commercialize PROSTVAC globally. In addition, we agreed to conduct exploratory combination studies of PROSTVAC with or without agents from Bristol-Myers Squibb's immuno-oncology portfolio.

OUR STRATEGY IN ACTION

We met all our operational goals in 2015 and thus reported solid progress in all key programs.

STRATEGY	2015 PROGRESS	
Maximize PROSTVAC's commercial potential as monotherapy and in combination regimens	**PROSTVAC**	✓ Phase 3 enrollment concluded ✓ Signed commercial agreement with Bristol-Myers Squibb ✓ Initiated Phase 2 study in localized prostate cancer
Establish a broad and deep cancer immuno-therapy franchise	**CV-301**	✓ Developed a new vaccine construct with improved manufacturing yield.
	MVA-BN Brachyury	✓ Phase 1 data reported
Maintain the global leadership of our IMVAMUNE/IMVANEX franchise	**IMVAMUNE/IMVANEX**	✓ Completed deliveries of 28 million doses to the U.S. SNS ✓ Additional deliveries to Canada and new supply order ✓ New USD 133 million bulk vaccine order from U.S. Government ✓ Reported first Phase 3 study for liquid-frozen formulation ✓ Report EUA enabling Phase 2 data (freeze-dried)
Rapidly advance our pipeline of infectious disease programs	**MVA-BN RSV**	✓ Phase 1 initiated
Continue to evaluate value-maximizing collaborations (Janssen)	**MVA-BN Filo** (Ebola)	✓ Rapid advancement from preclinical to Phase 3 clinical development in nine months ✓ 2 million doses produced and delivered ✓ Subcontract with Janssen/BARDA
	HPV	✓ Entered HPV collaboration agreement with Janssen
	MVA-BN Filo (Ebola and Marburg)	✓ Expansion of development contract with NIAID

2016/2017 ANTICIPATED DEVELOPMENTS

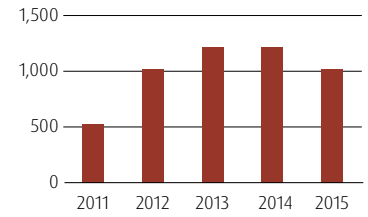
PROSTVAC	→ Phase 3 top-line data (2017) with interim analyses starting in 2016 → New Phase 2 combination studies with NCI/Bristol Myers Squibb (1H2016) → Data from ongoing Phase 2 trials with NCI
CV-301	→ Phase 2 combination with checkpoint inhibitors in NSCLC and additional indications
MVA-BN Brachyury	→ Phase 2 initiation
IMVAMUNE/IMVANEX	→ Manufacture bulk vaccine for the U.S. Government → Finalize manufacturing activities to support transition to freeze-dried version → Additional orders from U.S. and rest of world → Complete enrollment of Phase 3 non-inferiority study
MVA-BN RSV	→ Phase 1 data (1H2016) → Phase 2 initiation (2H2016)
MVA-BN Filo (Ebola)	→ Finalize clinical development of prime-boost vaccine regimen with Janssen
HPV	→ Phase 1 starting in 2017 → Potential expansion of collaboration on two additional infectious diseases
MVA-BN Filo (Ebola and Marburg)	→ Phase 1 initiation for multivalent filovirus vaccine

CONSOLIDATED KEY FIGURES

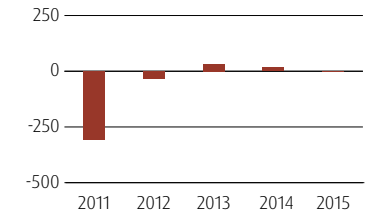
DKK million	2015	2014	2013	2012	2011
Income statement					
Revenue	1,020.6	1,216.8	1,212.5	1,016.6	523.6
Production costs	415.1	495.1	484.7	513.6	403.4
Research and development costs	386.8	478.9	496.6	340.1	261.7
Distribution and administrative costs	217.1	226.1	197.8	194.6	166.8
Income before interest and tax (EBIT)	1.6	16.7	33.4	(31.7)	(308.3)
Financial items, net	76.1	47.7	(27.2)	(17.0)	11.9
Income before company tax	77.6	64.4	6.2	(48.7)	(296.4)
Net profit for the year	59.4	25.9	(46.7)	(240.0)	(268.4)
Balance sheet					
Total non-current assets	585.0	568.1	551.8	644.3	865.2
Total current assets	1,404.3	1,319.1	900.4	894.9	1,111.4
Total assets	1,989.3	1,887.3	1,452.2	1,539.2	1,976.6
Equity	1,342.5	1,252.1	976.3	999.7	1,207.6
Non-current liabilities	56.6	51.9	86.7	54.2	105.4
Current liabilities	590.2	583.3	389.3	485.3	663.6
Cash Flow Statement					
Securities, cash and cash equivalents	1,058.2	979.7	532.1	549.9	584.0
Cash flow from operating activities	105.3	338.7	147.1	20.1	(375.2)
Cash flow from investment activities	(178.1)	(503.7)	(146.5)	71.0	(261.8)
- Investment in intangible assets	(28.3)	(53.6)	(111.0)	(24.3)	(16.5)
- Investment in property, plant and equipment	(31.7)	(52.4)	(44.4)	(20.9)	(31.2)
- Net investment in securities	(119.3)	(397.8)	7.2	116.4	(221.4)
Cash flow from financing activities	26.6	216.2	(7.1)	(9.6)	642.4
Financial Ratios (in DKK) [1)]					
Earnings (basic) per share of DKK 10	2.1	1.0	(1.8)	(9.2)	(12.1)
Net asset value per share	47.9	45.2	37.4	38.3	46.3
Share price at year-end	358	198	89	50	38
Share price/Net asset value per share	7.5	4.4	2.4	1.3	0.8
Number of outstanding shares at year-end, thousands	28,020	27,671	26,094	26,094	26,094
Equity share	67%	66%	67%	65%	61%
Number of employees, converted to full-time, at year-end	409	422	426	450	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 "Anbefalinger og Nøgletal 2015" (Recommendations and Financial Ratios 2015)

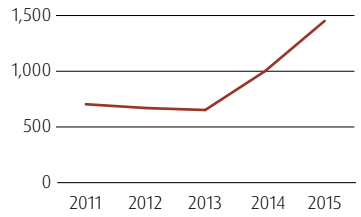
Revenue



EBIT



Cash preparedness



FINANCIAL RESULTS 2015

Our overall financial results for 2015 were in line with our latest guidance. While the guided revenue and earnings before interest and taxes (EBIT) were maintained throughout the year, we upgraded our expectations to the year-end cash preparedness in May 2015 after entering into a loan facility agreement of EUR 50 million with the European Investment Bank.

Revenue was DKK 1,021 million compared to DKK 1,217 million in 2014. Revenue was composed by DKK 762 million from the sale of MVA BN Filo Bulk Drug Substance to Janssen, DKK 78 million from the sale of IMVAMUNE/IMVANEX and DKK 181 million from ongoing development contracts primarily with the U.S. Government.

The decrease in revenue was partly offset by lower production costs as most of our product sales were delivered as bulk vaccine. We also had lower research and development costs, primarily related to the development of PROSTVAC. As a result, we maintained a positive EBIT on par with the result in 2014.

For a detailed financial review, see page 32.

DKK million	2015 guidance	2015 actual
Revenue	1,000	1,021
EBIT	-	2
Cash preparedness, year-end	1,450	1,451

OUTLOOK FOR 2016

In 2016, we expect revenue at the level of DKK 1,000 million and a break-even result before interest and tax (EBIT).

We expect to produce, deliver and revenue recognize bulk material of IMVAMUNE/IMVANEX to the U.S. Strategic National Stockpile as well as deliver and revenue recognize doses of IMVAMUNE/IMVANEX to the Public Health Agency of Canada in the DKK 750 million range.

Revenue in the range of DKK 250 million is expected from ongoing research and development contracts including the funding awarded for the Phase 3 trial for IMVAMUNE, the contract for freeze-dried IMVAMUNE/IMVANEX, the contracts for Ebola/Marburg as well as part of the upfront payment on the HPV license agreement with Janssen.

Manufacturing and release of commercial products will primarily occur later in 2016 and thus more than 90% of the year's revenue is expected to be recognized in the second half of 2016.

The cash preparedness at the end of the year is expected to be in the level of DKK 1,300 million. Cash preparedness includes cash, cash equivalents, investments in securities and the aggregate amount of undrawn credit lines, but does not include proceeds from any prospective issuance of shares.

As of the reporting date, all known external U.S. dollar exposure is hedged.

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

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

OUR VACCINE TECHNOLOGY

- A leader in poxvirus-based vaccines and immunotherapies
- Broad intellectual property estate

Our live virus vaccine platform uses three poxviruses: MVA-BN, vaccinia, and fowlpox. These poxviruses are designed to enhance the immune system through the production of antibodies and the stimulation of T-cells. Poxviruses are a family of viruses that have been extensively studied as vaccine vectors, or delivery vehicles. These viruses have larger DNA genomes than other viruses, which allow for insertion of genetic material encoding for multiple and relatively large antigens, which are toxins or foreign substances that induce an immune response. Each of these poxviruses has certain desirable attributes that contribute to the versatility of our platform and the potentially favorable safety profile and effectiveness of our vaccines.

MVA-BN

A core component of our live virus vaccine platform is Modified Vaccinia Ankara-Bavarian Nordic (MVA-BN), our proprietary and patented vaccine technology. To develop the MVA-BN vector, we created a further attenuated version of the MVA virus that was administered to more than 100,000 individuals against smallpox in Germany in the 1970s.

MVA-BN is approved as a smallpox vaccine in Canada and the EU (under the trade names IMVAMUNE and IMVANEX respectively). However, MVA-BN is capable of acting as a delivery vehicle for DNA-expressing diseases other than smallpox. MVA-BN is a particularly good vector as it is based on the vaccinia virus, which induces strong immune-stimulation, is non-replicating and therefore unable to cause disease induction in patients, leading to its favorable safety profile. The inability to replicate in human cells and the favorable safety profile of MVA-BN in severely immune compromised animals makes MVA-BN a highly attractive vaccine candidate, particularly for high risk populations, such as young children, immune compromised and elderly, who all have weakened and/or immature immune systems. MVA-BN has been shown to have a favorable safety profile in more than 8,500 people, which includes more than 1,000 immune compromised individuals such as HIV infected subjects, atopic dermatitis patients and cancer patients. As a result, we believe MVA-BN is an adaptable vaccine technology suitable for addressing a wide variety of infectious diseases and cancer.

VF-TRICOM

Bavarian Nordic's cancer immunotherapy candidates, PROSTVAC and CV-301 both employ the VF-TRICOM technology, which has been licensed from the NCI and the United States Public Health Service (PHS).

The technology includes a vaccinia-based priming dose (V) followed by multiple fowlpox-based boosting doses (F), and incorporates three human immune costimulatory molecules (TRICOM: TRIad of COstimulatory Molecules) engineered to enhance immune system response to the tumor target. Both the priming and boosting doses encode one or more tumor-associated antigens, intended to activate the body's immune system against these antigens. This heightens a key role of the immune system, which is the detection of these antigens, which many tumor cells produce, to permit subsequent targeting for eradication.

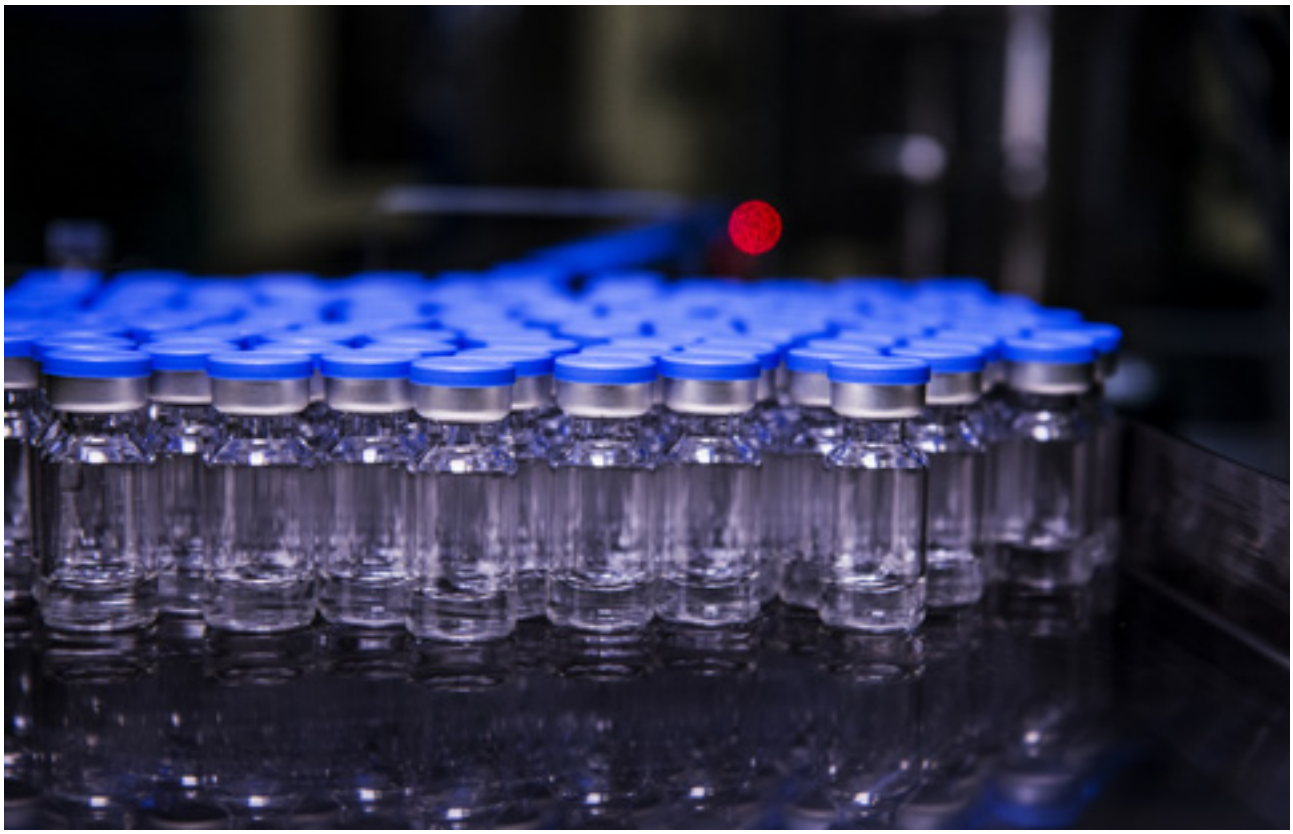
Beyond the benefits of the prime-boost regimen of vaccinia and fowlpox, the inclusion of TRICOM serves as a genetic adjuvant within other of our product candidates, such as MVA-BN Brachyury.

Prime-boost vaccination for a stronger and longer response

In order to increase the effectiveness of live virus vaccines, many vaccines are delivered through repeated vaccination to "boost" immune responses. The basic prime-boost strategy involves priming the immune system to a target antigen delivered by one vector and then selectively boosting this immunity by re-administration of the antigen with one or more subsequent vectors. The key strength of this strategy is that greater levels of immunity are established than can be attained by a single vaccine administration. Prime-boosting permits the potential synergistic enhancement of immunity to the target antigen. Hence MVA-BN or vaccinia can be used, followed by multiple fowlpox boosts in order to create a greater synergistic immune response, which is typically reflected in an increased number of T-cells directed at the specific antigen.

Read more

www.bavarian-nordic.com/pipeline/technology



OUR VACCINE MANUFACTURING

- Approximately 100,000 square foot multiproduct manufacturing facility in Denmark.
- Operates in accordance with cGMP and houses production, quality assurance, quality control and administration.
- Has been inspected by the EMA and the FDA without notice of any material deficiency.

Bavarian Nordic's large scale manufacturing site in Denmark stands out as one of the Company's most important assets to leverage and create future value of the Company's R&D activities.

The facility was commissioned in 2010 and was initially designed solely for the production of IMVAMUNE/IMVANEX smallpox vaccine. Since, more than 28 million doses of IMVAMUNE have been produced at the site. After expanding the facility in 2014, it now accommodates production of multiple products at both small and large scale. Most recently, more than 2 million doses of our MVA-BN Filo candidate for Ebola was produced and delivered as part of our collaboration with Janssen.

OUR INFECTIOUS DISEASE PORTFOLIO

IMVAMUNE®

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

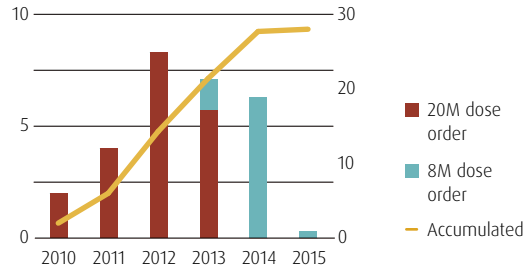
IMVAMUNE/IMVANEX is a non-replicating smallpox vaccine distributed in liquid-frozen formulation, suitable for use in people for whom replicating smallpox vaccines are contraindicated (e.g. people with HIV and atopic dermatitis). The vaccine is the only non-replicating smallpox vaccine approved in Europe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

The development of IMVAMUNE/IMVANEX is funded by the U.S. Government, through contracts with the Biomedical Advanced Research and Development Authority (BARDA), a division of the U.S. Department of Health and Human Services (HHS) and the National Institutes of Health (NIH). Contracts awarded to date for the development and supply of the vaccine exceed USD 1.2 billion, including awards to advance MVA-BN as a broad platform for the development of medical countermeasures against other potential biological threats. Included is also a contract valued at up to USD 94 million to develop a freeze-dried formulation of IMVAMUNE with longer shelf life to fulfil the U.S. Government's long-term stated goal for stockpiling of non-replicating smallpox vaccine.

Phase 3 registration trials in the United States
While the U.S. Government may administer IMVAMUNE/IMVANEX in the event of an emergency, our contracts with BARDA obligate us to seek formal approval of IMVAMUNE/IMVANEX from the FDA. To support the registration of IMVAMUNE/IMVANEX in the U.S., two Phase 3 studies have been agreed upon with the FDA; a lot consistency study in 4,000 healthy individuals, which was completed in 2015, and a study initiated in 2015 in 440 military personnel, which is designed to demonstrate non-inferiority between IMVAMUNE and ACAM2000, the current U.S. licensed, replicating smallpox vaccine.

Deliveries to the U.S. Strategic National Stockpile
Since 2010, we have delivered 28 million doses of IMVAMUNE/IMVANEX to the U.S. Strategic National Stockpile (SNS). The deliveries of the initial 20 million doses were completed in 2013, followed by replenishment orders for 8 million doses, with final deliveries having occurred in early 2015.

IMVAMUNE deliveries to the U.S. SNS



Deliveries of IMVAMUNE/IMVANEX to SNS since 2010, not including a USD 133 million bulk order placed by BARDA in July 2015

Transition to freeze-dried IMVAMUNE/IMVANEX
The U.S. Government has a long-term strategy to provide sufficient non-replicating smallpox vaccine to protect 66 million people, representing 132 million doses of IMVAMUNE/IMVANEX, to address those for whom a replicating smallpox vaccine is contraindicated or who have severe immunodeficiency and who are not expected to benefit from the vaccine. These individuals include severely immuno-compromised individuals and the following individuals who are otherwise at increased safety risk: pregnant women; individuals with HIV infection; individuals with

a history of eczema or atopic dermatitis; individuals who are undergoing bone marrow transplantation or individuals with primary or acquired immunodeficiency who require isolation; or infants less than one year of age.

As part of this strategy, we were awarded a contract in 2009 to develop a freeze dried formulation of IMVAMUNE/IMVANEX, which we believe indicates the U.S. Government's desire to develop an improved formulation of IMVAMUNE/IMVANEX to replace the liquid-frozen formulation of IMVAMUNE/IMVANEX currently stockpiled in the SNS. The freeze-dried formulation has a potential shelf life of approximately 10 or more years and potentially no storage limitations.

We have generated the clinical data required to support stockpiling of this next generation of the vaccine in the SNS and are on track to validate the production process, which remains the final step towards meeting the overall U.S. regulatory requirements for the freeze-dried version of the vaccine.

Read more
www.bavarian-nordic.com/pipeline/imvamune

PROGRESS REPORT 2015 AND UP TO PRESENT

May: Reported initial results from the first Phase 3 lot-to-lot trial, which was designed as a randomized, double-blind, placebo-controlled trial in 4,000 vaccinia-naïve subjects. Three thousand subjects were vaccinated with three different production lots of the liquid-frozen formulation of IMVAMUNE/IMVANEX, with 1,000 subjects per lot, and compared to 1,000 subjects who received placebo. The three lots of IMVAMUNE/IMVANEX induced equivalent antibody responses, meeting the primary endpoint of the trial, while the favorable safety profile of IMVAMUNE/IMVANEX was confirmed. The second Phase 3 study comparing the safety and immunogenicity of IMVAMUNE/IMVANEX to ACAM2000 was initiated at a U.S. military garrison in South Korea in the first quarter of 2015.

Also, we reported data from a pivotal Phase 2 randomized double-blind trial that enrolled 650 vaccinia-naïve healthy subjects to compare the safety and immunogenicity of the freeze dried and liquid-frozen formulations of IMVAMUNE/IMVANEX. The antibody response induced by the freeze-dried vaccine was equivalent to the antibody response induced by the liquid-frozen formulation, meeting the primary endpoint of the trial. Both formulations also recorded a similar safety profile. These results provided the final clinical data required to support stockpiling of this next generation of the vaccine in the SNS for emergency use.

July: Received a new order from BARDA for a bulk supply of IMVAMUNE/IMVANEX valued at USD 133 million. This bulk material could be converted into freeze-dried IMVAMUNE/IMVANEX at a later date, once the freeze-drying production process has been transferred to a commercial line and approved by the U.S. regulatory authorities.

October: The Public Health Agency of Canada (PHAC) exercised an option for the purchase of 143,000 doses of IMVAMUNE/IMVANEX, valued at USD 6.4 million. This order followed the delivery of 45,700 doses earlier in 2015 to the national stockpile. Under the contract, 170,000 doses remain exercisable. In addition, Bavarian Nordic has an ongoing contract with the Canadian Department of National Defence, under which 20,000 doses were delivered in 2015, and 140,000 doses remain exercisable.

MVA-BN FILO

- Ebola and Marburg vaccine candidate
- In Phase 3 development as Ebola vaccine
- Licensed to Janssen for use in prime-boost Ebola vaccine regimen
- 2 million doses produced and delivered as part of Janssen collaboration
- Also in development as a multivalent vaccine against multiple filoviruses (proprietary program)

MVA-BN Filo is a vaccine candidate, initially developed by Bavarian Nordic in collaboration with the U.S. National Institute of Allergy and Infectious Diseases (NIAID). The aim was to advance the MVA-BN technology to develop a vaccine against filoviruses (Ebola and Marburg), for which no approved treatment exists.

MVA-BN Filo, contains the gene of the glycoproteins of Ebola Zaire, Ebola Sudan and Marburg virus, and therefore is designed to provide protection against the three most common causes of viral hemorrhagic fevers.

In a study conducted under NIAID's preclinical services program, MVA-BN Filo was investigated in a prime-boost regimen with the monovalent Ad26.ZEBOV vaccine from Janssen. When both vaccines were administered two months apart, complete protection from death due to Ebola Zaire – the virus responsible for the recent epidemic in West Africa - was achieved.

Upon these findings Bavarian Nordic and Janssen entered into a partnership in 2014 in order to accelerate the development and production of the prime-boost vaccine regimen. This happened as an immediate response to the Ebola epidemic in West Africa, which has become the most widespread and severe epidemic of Ebola virus disease in history. Starting clinical trials only in January 2015, the vaccine regimen has rapidly advanced into Phase 3 trials in autumn 2015. In addition to licensing MVA-BN Filo specifically for this prime-boost regimen, Janssen also ordered for bulk material equivalent to 2 million of doses of the vaccine, which was delivered during 2015.

Our work with NIAID to develop a multivalent vaccine that offers broader protection against multiple filoviruses continues. This vaccine will also employ a prime-boost strategy, using a fowlpox vaccine as booster to enhance and prolong the immune response. Preclinical activities are ongoing to support a clinical Phase 1 study as agreed with NIAID.

The prime-boost vaccine regimen

Janssen is leading the accelerated development of the Ebola prime-boost vaccine regimen in which a dose of Ad26.ZEBOV is first given to prime the immune system, and then a dose of MVA-BN Filo is given at a later date to boost the immune response, with the goal of creating stronger and longer-lasting immunity.

Together with an array of consortium partners, Janssen has initiated multiple clinical Phase 1, 2 and 3 trials in Europe, USA and Africa since January 2015. Starting in healthy adults, studies have been expanded also to include children, elderly and immunocompromised populations. Ultimately Janssen would also be responsible for regulatory approval and commercialization of the vaccine.

Aside from demonstrating the safety and immunogenicity of the vaccine regimen, trials have been designed to investigate dose levels and schedules in order to maximize the long-term effect of the vaccine. While several other vaccine candidates have shown promising efficacy signals, they lack the ability to provide long-term protection, which is critical during an outbreak situation.

Over the course of 2015, the partners have furthermore demonstrated their ability to scale-up production, should the need for a vaccine during an emergency or outbreak arise.

Read more

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

PROGRESS REPORT 2015 AND UP TO PRESENT

January: First-in-human Phase 1 clinical trials of the MVA-BN Filo/Ad26.ZEBOV Ebola vaccine regimen were initiated in the United Kingdom and United States, followed by several sites in Africa.

May: Reported preliminary Phase 1 results, showing that the Ebola vaccine regimen was immunogenic, regardless of the order of vaccine administration, and that both vaccine candidates only provoked temporary reactions normally expected from vaccination.

June: Received additional funding of USD 15 million from the U.S. Government to advance the development of MVA-BN Filo for use as multivalent filovirus vaccine.

July: The first Phase 2 clinical study of the Ebola prime-boost vaccine regimen was initiated in the United Kingdom planned to enroll 612 healthy adult volunteers. A second Phase 2 study to evaluate the vaccine regimen in healthy adults, elderly and children as well as HIV-infected subjects was initiated in Africa in December, planned to enroll 1,188 subjects.

September: Received a subcontract valued up to USD 33 million from Janssen as part of a contract awarded by BARDA to support the advanced development and manufacturing of the Ebola vaccine regimen.

October: Phase 3 clinical trials of the Ebola vaccine regimen were initiated in Sierra Leone. This is the first study to evaluate the vaccine regimen in an Ebola outbreak country. The first stage of the study includes approximately 40 adults aged 18 years or older. In stage 2, approximately 688 individuals across different age groups will be vaccinated, including children and adolescents. Additional Phase 3 studies have subsequently begun in the U.S.

MVA-BN HPV

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

Upon signing the Ebola agreement in 2014, Bavarian Nordic and Janssen agreed to evaluate MVA-BN in three additional infectious disease indications, and in December 2015 the parties entered into a collaboration and license agreement for MVA-BN to be used with Janssen's adenovirus vector based technology in a prime-boost vaccine regimen targeting HPV. The long-term goal is to develop a vaccine to treat chronic HPV infections as well as prevent precancerous stages of HPV-induced cancer.

The agreement is valued up to USD 171 million, including an upfront payment of USD 9 million to Bavarian Nordic as well as potential future payments upon reaching development and commercial milestones. Furthermore, Bavarian Nordic is entitled to receive single-digit tiered royalties on future product sales.

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

HPV

With over 300 million estimated infections among men and women annually, HPV is the most prevalent sexually transmitted disease in the world.

HPV is the primary cause of cervical cancer and certain types of head and neck cancer, in addition to a number of more rare cancers. Although vaccines have become available to protect against various high-risk HPV subtypes that can cause cancer, there is an unmet need for a therapeutic approach for chronic infections that may lead to precancerous cell changes. It is estimated, that high-risk HPV types cause approximately 5 percent of all cancers worldwide.

This significant disease burden can be addressed by intercepting disease progression and treating the viral infection.

MVA-BN RSV

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

MVA-BN RSV is a product candidate in Phase 1 clinical development for the prevention of RSV. The vaccine has been designed to elicit responses against both RSV subtypes A and B. Preclinical studies have shown MVA-BN RSV to be highly efficacious, demonstrating both an antibody and a T-cell response from the immune system, which are both required to prevent an RSV infection. These studies furthermore show that the vaccine candidate induces an antibody response in the mucosa. In addition to antibodies in the blood, the presence of antibodies in the mucous membrane is an important barrier to infection by RSV. Upon the successful completion of the Phase 1 trial, the Company intends to rapidly progress the RSV vaccine candidate into multiple Phase 1 and Phase 2 trials in elderly and at-risk populations, as well as the pediatric population.

A large unmet medical need

RSV is the most common cause of lower respiratory tract infection in infants and children worldwide, resulting in a high number of hospitalizations. Most infants are infected before age one, and virtually everyone contracts an RSV infection by age two.

There are two major subtypes of RSV: subtype A and subtype B. The two subtypes are typically present either simultaneously or alternately during yearly epidemics.

RSV infections are responsible each year for a similar number of deaths as the flu in children up to age 14, as well as in the elderly population. It is estimated that more than 64 million people are infected globally each year, yet unlike the flu, there is no vaccine to prevent RSV, representing a large unmet medical need and market opportunity.

Read more

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

PROGRESS REPORT 2015 AND UP TO PRESENT

August: Initiated the first Phase 1 clinical study to evaluate the safety, tolerability and immunogenicity of MVA-BN RSV vaccine in 63 healthy adults, ages 18-65, enrolled into three groups to receive different doses of MVA-BN RSV. One group of subjects of 50-65 years of age will receive a higher dose of MVA-BN RSV in order to evaluate the immune responses in an elderly population, which is a key target for the vaccine. Enrollment was completed in autumn 2015.

OUR CANCER IMMUNOTHERAPY PORTFOLIO

PROSTVAC

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

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

- An extension of the median overall survival in patients with advanced prostate cancer by 8-9 months compared to either their median predicted survival, or placebo-controlled patients
- Induction of a robust T-cell response in the majority of the patients treated. This T-cell response is induced to PSA and to other prostate associated antigens (not encoded by the vaccine); a process known as antigen cascade or spreading
- Potential synergies resulting from combining PROSTVAC at various stages of the cancer progression with anti-androgen therapy (e.g. enzalutamide), checkpoint inhibitors (e.g. ipilimumab), taxane-based chemotherapy (e.g. docetaxel) or radiation therapy.

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

The PROSPECT Phase 3 trial

The PROSPECT Phase 3 clinical trial is a global randomized, double-blind, placebo-controlled trial of PROSTVAC in 1,297 patients with asymptomatic or minimally symptomatic mCRPC. The trial is being conducted under a Special Protocol Assessment agreement (SPA) with the FDA.

An SPA is an agreement between a sponsor of a clinical trial and the FDA that, barring the occurrence of certain circumstances, the proposed design of a Phase 3 trial, including its clinical endpoints and statistical analyses are acceptable for support of regulatory approval after the trial has concluded. The SPA for this trial requires a hazard ratio of 0.82 or less, which is the equivalent of an approximately 18% reduction in risk of death.

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

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

The first interim analysis took place in February 2016 based upon the occurrence of 214 events. The analysis confirmed that the study will continue as planned. While the final study data are anticipated in 2017 and requires 534 events in both comparisons, the two additional interim analyses will occur at 321 and 427 events respectively. Should the PROSPECT trial prove successful,

applications for approval will be made in the United States, the European Union and other territories..

Patient demographics and characteristics
The PROSPECT trial has enrolled a total of 1,297 patients at more than 200 investigative sites in 15 countries (36% in North America, 38% in Western Europe and 26% in other countries). While a full vaccination schedule includes a total of seven injections (one vaccinia-primer and six fowlpox-boosts), the average number of injections received by each patient in the trial was 6.1, compared to only 5.4 injections in the randomized Phase 2 trial, which enrolled 122 patients. We believe the increased number of injections will improve the clinical outcome for patients receiving the active drug.

We believe that immunotherapy takes time to demonstrate its beneficial effects, and therefore the PROSPECT trial was designed to enroll patients who we believe have a sufficient life expectancy to benefit from the drug. Using the randomized Phase 2 trial as a guide, certain entry criteria were amended to better identify patients who are hormone refractory, or showing increases in PSA with no evidence of disease progression, with metastatic disease, but with certain limitations with regard to markers known to identify rapid disease progression. Patients were monitored for markers such as PSA doubling time, alkaline phosphatase levels and minimum PSA values in an effort to determine which patients would progress less rapidly and therefore have a better chance of benefiting from our immunotherapy based approach.

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

Read more
www.bavarian-nordic.com/pipeline/prostvac

PROGRESS REPORT 2015 AND UP TO PRESENT

January: Concluded enrollment of patients in the PROSPECT Phase 3 trial. While the study reached its enrollment target of 1,200 patients in December 2014, additional patients were accepted into the study, thus reaching a total of 1,297 patients.

February: Announced updated overall survival data from an NCI-sponsored Phase 1 combination study of PROSTVAC and ipilimumab. 30 patients with metastatic castration-resistant prostate cancer were enrolled in the study at a time where docetaxel was the only FDA-approved treatment that improved overall survival. The predicted median OS was 18.5 months. Patients were treated with PROSTVAC plus escalating doses of ipilimumab. The observed median OS was 31.3 months for all dose cohorts and 37.2 months for patients treated at 10 mg/kg based. Furthermore, approximately 20% of patients at 10 mg/kg remain alive at 80 months.

March: Signed agreement with Bristol-Myers Squibb providing them an exclusive option to license and commercialize PROSTVAC globally. Total potential value: USD 975 million, including an upfront payment of USD 60 million, as well as a royalty on future sales of PROSTVAC, ranging from the high teens to potentially the mid-twenties.

July: A new Phase 2 study of PROSTVAC in patients with localized prostate cancer was initiated by National Cancer Institute.

January/February 2016: Two new Phase 2 studies of PROSTVAC were initiated by National Cancer Institute. The first study is investigating the combination of PROSTVAC and docetaxel in 38 patients with non-metastatic castration sensitive prostate cancer receiving androgen deprivation therapy. The second study is investigating PROSTVAC in 80 patients with biochemically recurrent prostate cancer

February 2016: After review of the first interim analysis of the PROSTVAC Phase 3 study, the Data Monitoring Committee informed Bavarian Nordic that the trial should continue without modification as planned.

ONGOING AND PLANNED PROSTVAC STUDIES:

Therapy	Indication	Details / Status
PROSTVAC	Localized prostate cancer Patients undergoing active surveillance	Phase 2 90 patients (up to 150) Enrolling
PROSTVAC (neoadjuvant)	Localized prostate cancer Patients undergoing radical prostatectomy	Phase 2 27 patients Enrolling
PROSTVAC + ipilimumab + nivolumab (neoadjuvant)	Localized prostate cancer	Phase 2 28 patients Planned
PROSTVAC + ipilimumab (neoadjuvant)	Localized prostate cancer	Phase 2 75 patients Planned
PROSTVAC + flutamide	Non-metastatic prostate cancer	Phase 2 53 patients Enrollment completed
PROSTVAC	Non-metastatic castration sensitive prostate cancer	Phase 2 80 patients Enrolling
PROSTVAC + enzalutamide	Non-metastatic castration sensitive prostate cancer	Phase 2 38 patients Enrollment completed
PROSTVAC + docetaxel + ADT	Metastatic castration sensitive prostate cancer	Phase 2 38 patients Enrolling
PROSTVAC + enzalutamide	mCRPC	Phase 2 76 patients Enrolling
PROSTVAC	mCRPC	Phase 3 1,297 patients Enrollment completed

CV-301

- Immunotherapy candidate for multiple cancers

Combination treatments continue to play an important role in the rapidly changing cancer treatment paradigm. The synergistic clinical benefit seen with PROSTVAC in combination settings is believed also to apply to CV-301, which uses the same prime-boost technology, VF-TRICOM. Specifically, recent preclinical data provide a clear rationale for combining CV-301 with checkpoint inhibitors.

CV-301 is a novel immunotherapy candidate that targets two tumor-associated antigens, CEA and MUC-1, which are over-expressed in major cancer types. CV-301 has been tested in 6 ongoing or completed NCI-sponsored clinical trials in various cancers, and more than 300 patients have been treated with the product candidate. Currently, a Phase 2 clinical trial is ongoing in bladder cancer.

The future development of CV-301 by Bavarian Nordic will focus on combination treatments with checkpoint inhibitors. Checkpoint inhibitors have shown promising efficacy as single agent treatments in clinical trials in various cancers. However, the majority of cancer patients are not responding to checkpoint inhibitors, and this appears to be related to low or negative expression of programmed death-ligand 1 (PD-L1), a transmembrane protein that has been speculated to play a major role in suppressing the immune system. Low PD-L1 expression is widely defined as <5% PD-L1. This limited response is believed to be due in part to individual patients lacking an immune response to attack the tumors.

We believe CV-301 equips the immune system with the ability to seek out and destroy these tumors. Preclinical data shows the ability to upregulate 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.

While non-small cell lung cancer (NSCLC) represents the first clinical target in a combination regimen, starting in the second half of 2016, we plan to initiate no less than three separate randomized, placebo-controlled Phase 2 trials in NSCLC, bladder cancer and colorectal cancer, in combination with assorted checkpoint inhibitors. These studies will evaluate the efficacy of the individual components, as well as the combination of the vaccine and a checkpoint inhibitor to determine what, if any, synergy can be seen in combination. The objective is to improve the progression-free survival, which offers relatively fast generation of data.

We have continued to improve CV-301 and have replaced the vaccinia primer with our MVA-BN to form a new construct, which we believe will improve its efficacy and production yield..

Read more
www.bavarian-nordic.com/pipeline/cv-301

NON-SMALL CELL LUNG CANCER

Lung cancer is the second most common cancer and is the leading cause of cancer death in the United States. Each year, more people die of lung cancer than of colon, breast and prostate cancers combined. About 85% of lung cancers are NSCLC, which has different subtypes, including squamous cell carcinoma, adenocarcinoma, and large cell carcinoma. Analysts estimate that the global market for NSCLC treatments will increase from USD 6.9 billion in 2014 to USD 10.9 billion in 2021.

About 70% of NSCLC patients are reported to have low or negative PD-L1 expression, which is often correlated to a lesser response to checkpoint inhibition. This presents a significant opportunity to deploy optimized combination immunotherapy regimens for broader treatment efficacy.

MVA-BN BRACHYURY

- Immunotherapy candidate for the treatment of metastatic cancer and chordoma

MVA-BN Brachyury is a cancer immunotherapy in Phase 1 development based on our live virus platform. It is designed to induce a robust T-cell immune response against brachyury, a tumor-associated antigen that is overexpressed in major solid tumor indications. Brachyury is reported to play a key role in the metastasis and progression of tumors. Tumors that overexpress brachyury are believed to be highly resistant to current therapies and are associated with decreased survival rates.

While Bavarian Nordic retains worldwide commercial rights to MVA-BN Brachyury in multiple cancer indications, the clinical development is sponsored by the NCI with whom we continue to work with to evaluate the product candidate. Additional studies of MVA-BN Brachyury used in combination with other treatments, including checkpoint inhibitors, are planned for initiation by the NCI in 2016 and beyond.

Read more
www.bavarian-nordic.com/pipeline/mva-bn-brachyury

PROGRESS REPORT 2015 AND UP TO PRESENT

November: Reported results of an NCI-sponsored open-label Phase 1 trial of MVA-BN Brachyury in 38 patients with metastatic cancer or chordoma. The objective of the trial was to determine the safety and tolerability of escalating doses of MVA-BN Brachyury and to evaluate immunologic responses as measured by an increase in brachyury-specific T-cells. Data from this trial demonstrated for the first time that an MVA-BN based vaccine targeting brachyury can induce brachyury-specific T-cell immune responses in advanced cancer patients. MVA-BN Brachyury was well-tolerated with no dose limiting toxicities. The maximum tolerated dose was not reached and no serious adverse vaccine-related events were observed.

RISK MANAGEMENT

Risk management is an integrated part of Bavarian Nordic's operations. The Company is identifying material risks that could affect work, future performance or goals, or the interests of the shareholders with the purpose and intention of running the Company in accordance with best practice in the Company's area of business.

In order to fulfil these objectives, the Company has set up internal systems for this purpose. In addition, external advisers assist in the constant assessment and updating. All relevant units in the Company participate in the identification and assessment of risk factors in order to address them properly. The Board of Directors regularly receives reports on these initiatives, which then form part of the Board's overall assessment and decisions about the Company's activities and future.

In 2015, the Company has in its production increased its robustness and independence and thereby decreased the risk in the production through implementation of a variety of changes throughout the entire production process, by validating and transforming the manufacturing facility into a multipurpose manufacturing facility.

The primary risk to the revenue in 2015 was related to the production and deliveries of MVA-BN Filo bulk to Janssen and thus an important point of focus. Especially as the Company had only manufactured a few hundreds of doses of clinical trial material prior to moving into commercial manufacturing of bulk.

The primary risks in 2016 relate to the continued tech transfer of PROSTVAC and freeze-dried IMVAMUNE/IMVANEX, production and deliveries of bulk drug substance of IMVAMUNE/IMVANEX to U.S. Government, production of clinical trial material for our various studies and the recruitment of patients for the Phase 3 trial of IMVAMUNE/IMVANEX as well as for the Phase 2 trials of RSV and CV-301.

Risk factors
Expectations and assumptions in the annual report concerning the Company's business - the market for vaccines against smallpox, Ebola, RSV, other infectious diseases and cancer - and the Company's revenue, accounting results and expected market share are subject to substantial uncertainty. There is no guarantee that the Company will wholly or partly achieve its expectations for revenue or the profit/loss for the year. The major short-to-medium-term uncertainties include but are not limited to the following::

- Securing new IMVAMUNE/IMVANEX delivery contracts with the U.S. Government
- Securing IMVAMUNE/IMVANEX contracts with other governments
- Continued improvements in production of IMVAMUNE/IMVANEX
- Preparations for commercial manufacturing of PROSTVAC and commercial manufacturing of multiple vaccines at the Kvistgaard facility including validation of the production unit
- Collaborative agreements
- Changes in the U.S. dollar exchange rate and how it affects the free liquidity, future revenue and net finances
- Changes in the interest rates and how it affects net finances, loans and the free liquidity
- Performance and dependence of the Company's subcontractors and most significantly CMO's and CRO's
- Duration and outcome of review processes by various authorities
- Protection of patents and other intellectual property rights
- Clinical development and data from late-stage pipeline projects
- Risks relating to the Company's technologies, projects and products
- The ability to retain key personnel
- Tax risks
- Risks related to IT in general including protection against attempts to intrude firewall and servers
- All staff are performing according to the Company's Standard Operational Procedures and Policies and the Code of Conduct in order to reduce risk for production and delivery failures as well as fraud or other losses

The Company's risks further include the ability to enter into collaborations with partners for development, manufacturing, marketing and financial resources. There are additional risks related to sales contracts and the related production and logistics.

Currency risks include the risk arising from sales and production contracts being denominated in currencies other than Danish kroner. Contracts are primarily in U.S. dollars, meaning that other currencies do not represent significant currency risks. The exposure from fluctuations in the U.S. dollar is increased because a significant part of the exposure relates to an internal U.S. dollar denominated loan between the subsidiary in California and the parent company in Denmark. This internal loan is not hedged.

Liquidity can be influenced by changes in the U.S. dollar/DKK exchange rate, in that profit or loss from the currency contracts can be settled when the contracts are due for extension. As long as the DKK is linked to the EUR the Company's revenue and costs in EUR will not be hedged.

The Company has a strong intellectual property position; however, due to the complex legal issues in this area, there can be no assurance that the Company can successfully defend the validity of its patents or oppose infringement claims. Delays or intervention by the authorities in current or future clinical trials could also have a substantial impact on the Company's operations and financial position.

INTERNAL CONTROL

Financial reporting process
The Board of Directors and the Management of Bavarian Nordic are generally responsible for the Group's control and risk management in connection with the financial reporting process, including compliance with rules and regulations that are relevant in reporting.

The Board has established a Finance, Risk and Audit Committee which reviews and discusses the accounting and audit practices with the Company's auditors elected at the Annual General Meeting and the Corporate Management in accordance with the working framework of the committee.

Bavarian Nordic's main focus is to ensure that its financial statements are in compliance and give a correct and reliable view of the Company's operations and financial position.

Bavarian Nordic has policies and procedures for key areas of financial reporting as well as work plans for the month-end closing process, ensuring that all relevant reconciliations are prepared and reviewed and that records coding is in accordance with the requirements and guidelines that the U.S. authorities have in relation to covering project costs.

Monthly closing procedures ensure an in-depth analysis of deviations between actual performance, business plans and budgets, and updated estimates for the financial year. Input to a written monthly management report is prepared by each line of business containing explanations for deviations in the central business areas within the Group. The inputs are combined into one group report that is distributed to the Executive Management monthly and to the Board of Directors quarterly. In non-quarterly months the Board of Directors receive an executive summary.

Internal controls
The accounting and controller functions are responsible for the monthly closing process and reporting to corporate finance.

Financial planning, follow-up and reporting is supported by a group reporting system that shows actual and budgeted financial figures down to the department and account level. All budget holders have access to the group reporting system, which is updated daily with direct links to the Group's ERP system.

The quarterly financial reporting is prepared by group finance. Where considered relevant, key risk areas are reviewed by the auditors.

The annual audit and reporting process includes detailed planning of individual tasks and planning meetings between investor relations (IR), group finance and the auditors, and it is based on an audit strategy approved by the Finance, Risk and Audit Committee.

Risk assessment
At least once a year, the Finance, Risk and Audit Committee on the behalf of the Board of Directors evaluates the risks connected with the financial reporting process, including the presence of internal controls and guidelines. The Finance, Risk and Audit Committee assesses the Group's organizational structure, including the risk of fraud and the measures to be taken to reduce and/or eliminate such risk. In that regard, any incentive or motive from the Corporate Management to manipulate earnings or perform any other fraudulent action is discussed. The Group's internal controls and guidelines provide a reasonable but not absolute certainty that unlawful use of assets, loss and/or significant errors or deficiencies in relation to the financial reporting process can be avoided.

The Board of Directors has decided not to institute an internal audit at Bavarian Nordic, based on its assessment that the Company's size and complexity does not necessitate such a function.

Control environment
Information technology and computerized systems are widely used in almost any area at Bavarian Nordic. Several processes are automated and key decisions and actions are taken through electronic interfaces. In the ERP system, a number of user groups have been set up to ensure the required segregation of key functions in the finance department. Incoming invoices are approved electronically, and an approval hierarchy ensures that invoices are approved by the appropriate persons and according to the proxy rules of the Group. Payment proposals are approved through online banking and always by two staff members jointly.

The business procedures in the IT department ensure that all IT development is according to Good Laboratory Practice (GLP), Good Clinical Practice (GCP) and Good Manufacturing Practice (GMP). There are effective procedures for identifying, monitoring and reporting IT risks and security measures set up to respond to emerging events.

FINANCIAL REVIEW 2015

The financial review is based on the Group's consolidated financial information for the year ended December 31, 2015, with comparative figures for the Group in 2014 in brackets. There is no significant difference in the development of the Group and the Parent Company.

In 2015, we generated revenues of DKK 1,021 million (DKK 1,217 million). Earnings before interest and taxes, or EBIT were DKK 2 million (DKK 17 million). As of December 31, 2015, the Group had cash and cash equivalents of DKK 374 million (DKK 398 million). In addition, the Group held investments in securities of DKK 684 million (DKK 581 million). The Group also maintained credit lines of DKK 393 million (DKK 20 million) as of such date, of which DKK 393 million (DKK 11 million) was undrawn. The cash preparedness as of December 31, 2015 amounted to DKK 1,451 million.

Income statement

Revenue
Revenue for the year was DKK 1,021 million (DKK 1,217 million).

Revenue from product sales was DKK 840 million (DKK 1,024 million) and was composed by DKK 762 million (DKK 0 million) from the sale of MVA BN Filo Bulk Drug Substance to Janssen, DKK 49 million (DKK 1,018 million) from the sale of IMVAMUNE/IMVANEX to the U.S. Government, and DKK 29 million (DKK 6 million) from the sale of IMVAMUNE/IMVANEX to other customers.

In 2015, we delivered the last 276,000 doses of IMVAMUNE/IMVANEX as final drug product under the 8 million doses order received in 2013. From 2016 we will produce and revenue recognize IMVAMUNE/IMVANEX as bulk drug substance under a USD 133 million contract entered with the U.S. Government in 2015.

Revenue from ongoing development contracts with primarily the U.S. Government was DKK 181 million (DKK 193 million).

Production costs
Production costs amounted to DKK 415 million (DKK 495 million). Costs related directly to revenue amounted to DKK 300 million (DKK 503 million). In 2014 the product sale consisted of final drug product (in vials), whereas in 2015, the main product sale was related to sale of bulk drug substance, which generated fewer costs. Other production costs totaled DKK 115 million (DKK -8 million). In 2015 we put the new multi-product facility into operation, resulting in some initial costs. We also had a higher scrap related to the production of bulk material compared to the production performance seen in 2014, where we had a low level of write-downs and reversal of write downs of DKK 12 million made in 2013.

Research and development costs
The total research and development spending was DKK 518 million (DKK 572 million), and includes contract costs recognized as production costs as well as capitalized development costs. The decrease was primarily related to PROSTVAC, where development costs amounted to DKK 177 million (DKK 279 million).

Research and development costs shown under production costs were DKK 109 million (DKK 92 million).

Our capitalized research and development costs related to IMVAMUNE/IMVANEX for regulatory approval in the United States were DKK 25 million (DKK 47 million). The 4,000 subject Phase 3 trial for IMVAMUNE/IMVANEX was completed in the second quarter of 2015 and generated fewer costs in 2015 compared to 2014. The amortized research and development costs related to IMVAMUNE/IMVANEX for regulatory approval in the United States decreased from DKK 46 million in 2014 to DKK 3 million in 2015 as only 0.3 million IMVAMUNE/IMVANEX doses were delivered in 2015 compared to 6.3 million doses in 2014.

Distribution costs
The distribution costs were DKK 42 million (DKK 45 million). Costs related to shipping of product have decreased in line with the number of sold IMVAMUNE/IMVANEX doses. We did not incur costs related to shipping of the MVA-BN Filo bulk drug substance.

Administrative costs
Administrative costs were DKK 175 million (DKK 181 million). In 2015, we incurred less rent expenses compared to 2014 due to relocation of our staff in California.

Financial income and financial expenses
Financial income was DKK 99 million (DKK 57 million). Net foreign exchange gains attributable to an increased U.S. dollar/DKK exchange rate amounted to DKK 67 million (DKK 53 million), of which DKK 38 million (DKK 38 million) is related to an unrealized foreign exchange gain as our parent company has a larger outstanding receivable from the loan when converted into DKK while our U.S. subsidiary in California has an unchanged debt in U.S. dollars. Net gains on derivate financial instruments amounted to DKK 17 million (DKK 0 million) and interest on securities amounted to DKK 15 million (DKK 4 million).

Financial expenses were DKK 23 million (DKK 10 million). This increase was primarily attributable to fair value adjustments on securities of DKK 17 million (DKK 2 million).

Tax on income for the year
Tax on the income for the year was DKK 18 million (DKK 38 million). For 2015, this corresponds to an effective tax rate of 23.4%, which is in line with the Danish company tax rate for 2015 of 23.5%. For 2014, the effective tax rate was 59.7%, which was higher than the Danish company tax rate for 2014 of 24.5%. This was due to non-recognized deferred tax asset on the year's loss in Bavarian Nordic, Inc. and adjustments of deferred tax due to change in tax rates.

Liquidity and capital resources
As of December 31, 2015, we had cash and cash equivalents of DKK 374 million and held investments in securities of DKK 684 million. We also maintained credit lines of DKK 393 million as of such date, of which DKK 393 million was undrawn.

We require cash to meet our operating expenses and capital expenditures. We have funded our cash requirements from inception through December 31, 2015 principally with a combination of revenue from product sales, including contract work for the U.S. Government, debt financings, revenues from our collaboration agreement with Janssen, development funding from government entities and, to a lesser extent, from the sale of our common stock.

Cash flows
Net cash provided by operating activities totaled DKK 105 million (DKK 339 million). Part of the 2015 revenue did not generate a cash inflow in 2015 since USD 60 million was prepaid in 2014 when we signed the collaboration and supply agreement with Janssen. In March 2015 we received an upfront payment of USD 60 million under the license agreement with Bristol-Myers Squibb.

Net cash used in investing activities was DKK 178 million (DKK 504 million), of which DKK 119 million (DKK 398 million) was investment in securities, and DKK 60 million (DKK 106 million) was investment in property, plant and equipment and intangible assets.

Net cash provided by financing activities totaled DKK 27 million (DKK 216 million). In October 2014 Johnson & Johnson Development Corporation's made an equity investment of DKK 251 million, which was partly offset by a repayment on our mortgage and construction loan in the amount of DKK 47 million. Proceeds from exercise of our warrant programs amounted to DKK 29 million (DKK 14 million).

The net cash flow for 2015 was negative by DKK 46 million (DKK 51 million positive).

Balance sheet

The balance sheet total was DKK 1,989 million as of December 31, 2015 (DKK 1,887 million).

Assets
The intangible assets stood at DKK 108 million (DKK 109 million). The acquired licenses as of January 1, 2015 (DKK 25 million) have been reclassified to "Development projects for sale" as a result of the option and license agreement concluded with Bristol-Myers Squibb, for further description refer to note 17. The ongoing IMVAMUNE/IMVANEX development project amounted to DKK 101 million (DKK 78 million).

Property, plant and equipment stood at DKK 326 million (DKK 337 million).

The deferred tax asset has increased by DKK 29 million, of which deferred tax related to share-based payment amounted to DKK 34 million. The value of tax losses carried forward decreased by DKK 8 million.

Inventories stood at DKK 91 million (DKK 122 million). The write-downs have increased by DKK 44 million. Inventories comprise raw materials for production, work in progress and manufactured goods and commodities.

Receivables stood at DKK 185 million (DKK 218 million), of which trade receivables amounted to DKK 138 million (DKK 187 million).

As of December 31, 2015, cash and securities stood at DKK 1,058 million (DKK 980 million). Bavarian Nordic's cash and cash equivalents are primarily invested in deposit accounts with highly rated banks and in short-term Danish government and mortgage bonds.

Equity
After the transfer of the profit for the year, equity stood at DKK 1,342 million (DKK 1,252 million).

Liabilities
Prepayments from customers stood at DKK 406 million (DKK 375 million). In March 2015, the Company received an upfront option grant payment of DKK 399 million from Bristol-Myers Squibb. The Company also received the second upfront payment from Janssen of DKK 229 million. As of December 31, 2015 no prepayments regarding the license and supply agreement with Janssen remain on the balance sheet. For detailed information on prepayments, see note 26.

SHAREHOLDER INFORMATION

Bavarian Nordic is listed on the Nasdaq Copenhagen exchange under the symbol BAVA. The Company's share capital was DKK 280,196,710 by year-end 2015, which was made up of 28,019,671 shares with a nominal value of DKK 10 each. Each share carries one vote. The share capital was increased in 2015 by DKK 3,483,700 as result of capital increases following exercise of warrants by employees. By December 2015, there were 1,624,605 outstanding warrants, which entitle warrant holders to subscribe for 1,624,605 shares. Thus the fully diluted share capital amounted to DKK 296,442,760 at year-end.

Ownership
As of December 31, 2015, Bavarian Nordic had 27,614 registered shareholders owning 25,382,047 shares, which corresponds to 90.6 per cent of the share capital. The number of registered shareholders increased 24% in 2015. Bavarian Nordic continuously invites its shareholders to have their shares registered with the Company; registration must be through the holder's custodian bank.

As of March 7, 2016, the following shareholders had publicly informed Bavarian Nordic that they own five per cent or more of the Company's shares: ATP Group, Hillerød, Denmark.

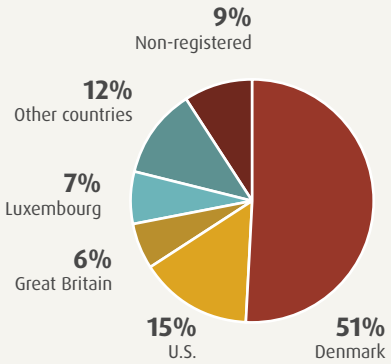
Bavarian Nordic does not hold any of its own shares.

Share price performance
The price of Bavarian Nordic's share increased more than 80 per cent during the year, thus strongly outperforming the peer markets. The share price at year-end 2015 was DKK 357.50, versus DKK 197.50 at year-end 2014. The strong performance was mainly driven by the PROSTVAC agreement entered with Bristol-Myers Squibb in March 2015, but also our new collaboration agreement with Janssen and new IMVAMUNE/IMVANEX contracts, in addition to several pipeline advancements during the year. Despite turbulence on the international stock markets during most of the second half of 2015, which also affected the Bavarian Nordic, our share price recovered well over the last months of the year.

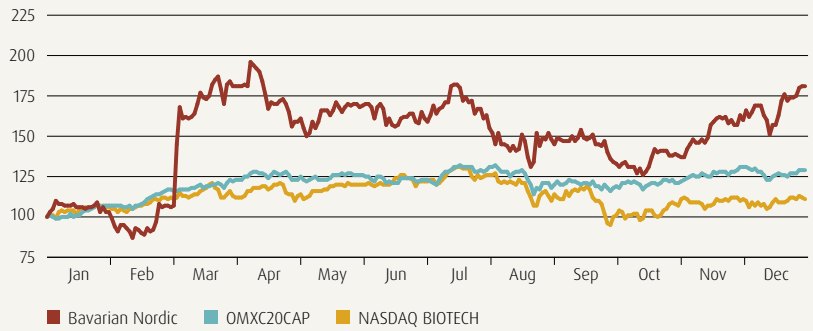
American Depositary Receipts (ADR)
Bavarian Nordic has established a sponsored Level 1 American Depositary Receipt (ADR) program with Deutsche Bank Trust Company Americas. An ADR is a receipt issued by a depositary bank representing ownership of a company's underlying shares. ADR programs are created to enable U.S. investors to hold shares in non-U.S. companies and trade them in the same way as U.S. securities.

Bavarian Nordic ADRs are available for trading in the US over-the-counter (OTC) market, where three ADRs represent one Bavarian Nordic share.

Distribution of share capital



Share price development compared to indices



Annual General Meeting
The annual general meeting will be held at 4 pm CET on Wednesday, April 20, 2016, at the Comwell Borupgaard, Nørrevej 80, DK-3070 Snekkersten, Denmark. In addition to the regular items on the agenda of the annual general meeting in accordance with article 12 of the Articles of Association, the Board of Directors intends to propose the following:

- Proposal to increase and extend the authorisation of the Board of Directors in Article 5a of the Articles of Association, so that the Board of Directors is authorized to increase the share capital of the Company until 30 June 2017.
- Proposal to increase and extend the authorization of the Board of Directors in Article 5b of the Articles of Association, so that the Board of Directors until 31 December 2017 is authorized to issue warrants, which entitle the holders to subscribe for shares in the Company.
- Proposal to amend Article 11 of the Articles of Association to allow the shareholders to cast different votes on their shares.
- Proposal to approve remuneration of the Board of Directors and the Board Committees for the current financial year.
- Proposal to authorize the Board of Directors to purchase own shares.

Investor relations
The Company seeks to maintain an active dialogue with shareholders, analysts, prospective investors and other stakeholders by providing open, honest and accessible information to ensure that they have the requisite knowledge to assess the Company. The Company seeks to do so by, among other things, ensuring timely and correct communication about relevant strategic, economic, financial, operational and scientific affairs of the Company, subject to due observance of the Company's investor relations policy, which further ensures that the Company complies with the general requirements and recommendations for Danish listed companies.

Analysts
Bavarian Nordic is covered by a number of domestic and international financial analysts who regularly make comments and recommendations based on the Company's performance and factors that may influence its business and future development of the share price. A list of analysts can be found on the Company's website.

Services for shareholders
All registered shareholders can access our shareholder portal which provides opportunity to sign up for a number of electronic information services, as well as request admission cards and/or vote by proxy for the general meetings. The portal is found at www.bavarian-nordic.com/shareholder.

Read more
www.bavarian-nordic.com/investor

Financial calender 2016

7 March 2016	2015 Annual Report
20 April 2016	Annual General Meeting
13 May 2016	Financial Statements for the first quarter of 2016 (Q1)
17 August 2016	Financial Statements for the first half of 2016 (Q2)
9 November 2016	Financial Statements for the first nine months of 2016 (Q3)

Contacts

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CORPORATE SOCIAL RESPONSIBILITY

In Bavarian Nordic, we contribute to a healthier and safer society by developing and manufacturing vaccines that could potentially help protect and save people's lives. While seeking to create a growing, sustainable business, we are committed to being socially and environmentally responsible and to comply with all relevant laws, standards and guidelines. We maintain a strong corporate governance structure and communicate openly and transparently about our CSR efforts, which particularly focus on minimizing the environmental impact from our production, but also concentrate on the safety and well-being of our employees, as well as other areas of relevance to our business. We account annually for the development in these areas in our CSR report which constitutes an independent part of the annual report.

Highlights from 2015

Environmental impact
Despite increased manufacturing activities, our aggregate climate impact was 12% lower compared to 2014, and our relative climate impact from production dropped by impressive 24% as result of further optimizations as well as better utilization of resources.

We also further optimized the consumption of water, raw materials and additives in the production, thus again reducing the relative consumption on largely all parameters compared to 2014.

In the transformation of our production into a multi-purpose facility, we have increased the use of disposables, and in combination with the increase in production, this has resulted in higher amounts of waste compared to 2014. While we did not meet our target to increase the relative share of waste for recycling, we have continued to explore areas of improvement throughout 2015, specifically by identifying additional waste fractions that would allow us to increase recycling over time.

Employee safety and well-being
We are focused on health and employee well-being and were pleased to fulfil our target to maintain the absence rate among employees below 4%. We also remain committed to a high level of safety throughout the organization, and did not report any serious work-related accidents. The accident rate was however higher than in 2014, although still below that of other companies. We believe this is due to a higher complexity in our production as well as improved reporting procedures in our safety organization.

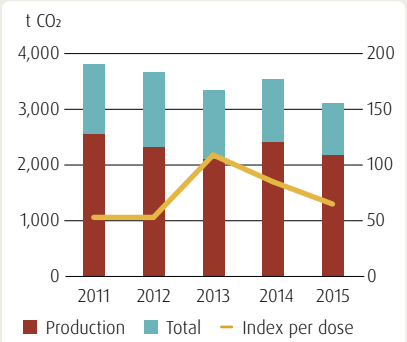
Gender diversification
In 2015, we maintained an equal distribution of men and women in other managerial positions with 51% and 49 % respectively..

Goals
Our manufacturing continues to be the primary impact source given its consumption of energy, water and raw materials, but also due to that the majority our employees are involved, one way or the other, in activities relating to our production. As an overall goal, we therefore seek to minimize the environmental impact from our production through continuous efforts to optimize the use of energy, water and raw materials, as well as to increase recycling of waste. As we expect further increased production activities in the coming years, we will also maintain a high focus on employee health and safety by continuing a proactive work and a high level of employee involvement and awareness. Our goals in these areas are further specified in the CSR report.

Read more
Download the full report at www.bavarian-nordic.com/csr

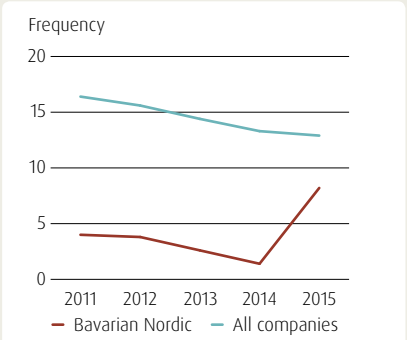
SELECTED DATA FROM THE CSR REPORT

Carbon footprint



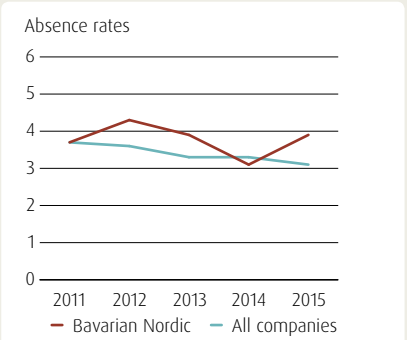
Total CO_2 emissions and indexed CO_2 emissions per dose of vaccine.

Occupational accidents



Number of accidents per million working hours compared with DI (Confederation of Danish Industry) statistics for work-related accidents (all occupational groups).

Sickness absence



Absence rate compared with DI (Confederation of Danish Industry) statistics for sickness absence (all companies).

CORPORATE GOVERNANCE

Bavarian Nordic remains focused on good corporate governance, having implemented the recommendations from the Committee of Corporate Governance (Komitéen for god selskabsledelse) for companies listed on the Nasdaq Copenhagen exchange.

The Management believes that the Company is operated in compliance with guidelines and recommendations that support the Company's business model and can create value for Bavarian Nordic's stakeholders. Regularly and at least once a year, the Management monitors adherence to the recommendations on corporate governance in order to ensure the best possible utilization of and compliance with the recommendations and legislation.

Each year, in connection with the annual report, Bavarian Nordic publishes a statutory report on Corporate Governance, cf. Section 107 b of the Danish Financial Statements Act.

The statutory report can be downloaded from the Company's website at: www.bavarian-nordic.com/corporategovernance

Board and Management practices

Bavarian Nordic is managed in a two-tier structure composed of the Board of Directors ("the Board") and the Corporate Management. The Board is responsible for the overall strategic management and the financial and managerial supervision of Bavarian Nordic, as well as for regular evaluation of the work of the Corporate Management. In addition, the Board supervises the Company in a general sense and ensures that it is managed in an adequate manner and in accordance with applicable law and the Company's articles of association.

The work and composition of the Board

The Board discharges its duties in accordance with the rules of procedure of the Board, which are reviewed and updated by all members of the Board.

The Board consists of five external members elected by the shareholders at the annual general meeting for terms of one year. Retiring members are eligible for re-election. In addition, such members that are to be elected pursuant to the statutory rules regarding representation of the employees on the Board are elected; currently the Board has no employee-elected members as there has been no request for representation of employees on the Board. The Board elects a chairman from among its members.

In 2015, eight meetings were held. Corporate Management and certain senior employees of Bavarian Nordic usually attend the board meetings. The Board regularly receives reports from Corporate Management on the status of the Company's operations and business. The Chairman of the Board and the Company's legal advisor evaluate the performance of the Board and Corporate Management on an annual basis. The results are presented to and discussed by the Board.

In 2015, the Board established and appointed a Finance, Risk and Audit Committee and a Nomination and Compensation Committee. These committees are charged with reviewing issues pertaining to their respective fields that are due to be considered at board meetings.

During the year, the Finance, Risk and Audit Committee held five meetings and the Nomination and Compensation Committee held three meetings.

The Board has set a target for representation of the under-represented gender: 15%, equivalent to one person, and the target must be met in 2017. The target was set taking into account the composition of the current Board and the boards of peer companies, but also considered ensuring continuity on the Board.

In 2015, the Nomination and Compensation Committee worked to identify potential new candidates for the board. Based on the desired qualifications and competences, the board appointed Dr. Frank Verwiel as observer to the board with an intention to nominate him for election at the annual general meeting in April 2016. Thus the board has not yet met its target for the underrepresented gender, and the Nomination and Compensation Committee will continue their work to identify future potential board candidates with the desired qualifications and competences with the aim to fulfil the target.

Remuneration of the Board

Members of the board receive a fee, which has been fixed according to the standards in the market and reflect demands to their competencies and efforts in light of the scope of their work and the number of board meetings. The fee is approved annually at the Company's general meeting based on a proposal from the board of directors. The chairman's fee is 2.5 times and the deputy chairman's fee is 1.5 times the fee of the ordinary board members' fee. The board members' expenses for transportation and housing etc. in connection with board meetings are reimbursed.

In addition, the members of the board committees receive an additional fixed fee. The chairman of the committees' fee is 1.5 times the fee of the ordinary board committee members.

For detailed information on fees to the board, see note 8 in the consolidated financial statements.

Apart from the fixed fees and fees for attending board and committee meetings, the members of the board did not receive any other remuneration from Bavarian Nordic in 2015. Until 2013, the members of the board participated in the Company's long-term incentive program, under which they were awarded warrants, some of which remain exercisable for a limited period (see also note 28 in the consolidated financial statements)..

Practices of the Corporate Management

The corporate management is currently Paul Chaplin, President and CEO of the Company and Ole Larsen, Executive Vice President & CFO of the Company. Members of the corporate management are appointed by the board, which lays down their terms and conditions of employment and the framework for their duties. The corporate management is responsible for the day-to-day management of Bavarian Nordic in compliance with the guidelines and directions issued by the board. The day-to-day operations do not include transactions of an unusual nature or of material importance to the affairs of Bavarian Nordic.

MANAGEMENT OF BAVARIAN NORDIC

BOARD OF DIRECTORS

Peter Kürstein | Claus Braestrup | Erik Gregers Hansen | Gerard van Odijk | Anders Gersel Pedersen

Gerard van Odijk
Gerard van Odijk, M.D. is a Dutch national, born in 1957. Independent member of the board since 2008 and chairman since 2014. Current term expires in 2016. Chairman of the Nomination and Compensation Committee since 2015.

Positions: Independent advisor for the pharmaceutical industry and former president and chief executive officer of Teva Pharmaceuticals Europe B.V. Member of the board of UDG Healthcare plc.

Special competences: Medical qualifications and extensive executive background within publicly traded companies in the international pharmaceutical industry.

Anders Gersel Pedersen
Anders Gersel Pedersen, M.D., Ph.D. is a Danish national, born in 1951. Independent member of the board since 2010 and deputy chairman since 2014. Current term expires in 2016. Member of the Finance, Risk and Audit Committee since 2015.

Positions: Executive vice president of research and development at H. Lundbeck A/S. Deputy chairman of the board of Genmab A/S and member of the board of ALK-Abelló A/S.

Special competences: Scientific qualifications, particularly in oncology, and extensive board and management experience from publicly traded, international pharmaceutical and biotech industries.

Claus Braestrup
Claus Braestrup, M.D. is a Danish national, born in 1945. Independent member of the board since 2008. Current term expires in 2016. Member of the Nomination and Compensation Committee since 2015.

Positions: Chairman of the boards of Saniona A/S and Saniona AB. Member of the boards of Evolva Holding SA, Gyros AB and Evotec AG. Member of the executive board of Kastan ApS.

Special competences: Scientific qualifications and extensive executive experience from publicly traded, international pharmaceutical companies.

Erik Gregers Hansen
Erik Gregers Hansen, M.Sc. is a Danish national, born in 1952. Independent member of the board since 2010. Current term expires in 2016. Chairman of the Finance, Risk and Audit Committee since 2015.

Positions: Director of Rigas Invest ApS. Chairman of the boards of Polaris Management A/S, TTiT A/S and TTiT Ejendomme A/S. Member of the boards of Bagger-Sørensen & Co. A/S (deputy chairman) and its six subsidiaries (as deputy chairman in two of the subsidiaries and as a board member in four of the subsidiaries, respectively), Bagger-Sørensen Foundation (deputy chairman), Lesanco ApS, Ecco Sko A/S, OKONO A/S, Wide Invest ApS and Aser Ltd. Member of the executive boards of Rigas Invest ApS, BFB ApS, Tresor Asset Advisers ApS, Tresor ApS, Berco ApS, Polaris Invest II ApS and Hansen Advisers ApS.

Special competences: Training and experience in and thorough understanding of managing finance operations and experience with publicly traded companies.

Peter Kürstein
Peter Kürstein, MBA is a Danish national, born in 1956. Independent member of the board since 2012. Current term expires in 2016. Member of the Nomination and Compensation Committee since 2015.

Positions: Chairman of the boards of Radiometer Medical ApS and Business Forum for Better Regulation. Deputy chairman of the board of FOSS A/S. Member of the board of N. Foss & Co. A/S and Den Erhvervsdrivende Fond Gl. Strand. Chairman of the Danish-American Business Forum.

Special competences: Extensive board and management experience from publicly traded, international healthcare companies.

EXECUTIVE MANAGEMENT

Paul Chaplin
President and Chief Executive Officer

Paul Chaplin, Ph.D is a British national, born in 1967. He joined Bavarian Nordic in 1999 as director of immunology. He was appointed executive vice president in 2004 and president and chief executive officer in 2014.

Ole Larsen
Executive Vice President, Chief Financial Officer

Ole Larsen, M.Sc. is a Danish national, born in 1965. He joined Bavarian Nordic in 2008 as executive vice president and chief financial officer.

SHARES AND WARRANTS HELD BY MEMBERS OF THE BOARD AND EXECUTIVE MANAGEMENT

	Shareholdings			**Warrants**		
	Jan. 1, 2015	Changes during the year	Dec. 31, 2015	Jan. 1, 2015	Changes during the year	Dec. 31, 2015
Gerard van Odijk	4,000	-	4,000	15,000	0	15,000
Anders Gersel Pedersen	0	500	500	15,000	-5,000	10,000
Claus Braestrup	6,385	0	6,385	10,000	0	10,000
Erik Gregers Hansen	19,000	10,000	29,000	15,000	-10,000	5,000
Peter Kürstein	6,250	0	6,250	10,000	0	10,000
Paul Chaplin	11,800	15,000	26,800	130,000	16,005	146,005
Ole Larsen	3,000	3,000	6,000	120,000	3,797	123,797

The statement of shareholdings comprises shares that are either owned personally by the board member or owned by companies that are wholly or partially owned by the board member.

In accordance with the Company's remuneration policy, approved by the annual general meeting in April 2015, the board no longer receives warrants. The last grant of warrants to the board occurred in 2013.

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Corporate Management have today considered and approved the annual report of Bavarian Nordic A/S for the financial year January 1 - December 31, 2015.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU. The parent financial statements are presented in accordance with the Danish Financial Statements Act. Further, the annual report is prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at December 31, 2015 as well as of the results of their operations and the Group's cash flows for the financial year January 1 - December 31, 2015.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the Annual General Meeting.

Kvistgaard, March 7, 2016

Corporate Management

Paul Chaplin
President and CEO

Ole Larsen
Executive Vice President and CFO

Board of Directors

Gerard van Odijk
Chairman of the Board

Anders Gersel Pedersen
Deputy chairman

Claus Bræstrup

Erik G. Hansen

Peter Kürstein

INDEPENDENT AUDITOR'S REPORTS

TO THE SHAREHOLDERS OF BAVARIAN NORDIC A/S

Report on the consolidated financial statements and parent financial statements
We have audited the consolidated financial statements and parent financial statements of Bavarian Nordic A/S for the financial year 1 January to 31 December 2015, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies as well as the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2015, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

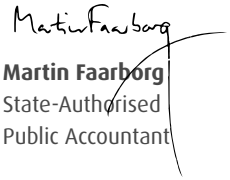
Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2015, and of the results of its operations for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management's review
Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 7 March 2016

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56



Martin Faarborg
State-Authorised
Public Accountant

Henrik Kjelgaard
State-Authorised
Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS

Notes

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

DKK thousand	Note	2015	2014
Revenue	3	1,020,561	1,216,815
Production costs	4,8,9	415,138	495,081
Gross profit		**605,423**	**721,734**
Research and development costs	5,8,9	386,811	478,930
Distribution costs	6,8,9	42,272	45,107
Administrative costs	7,8,9,10	174,786	181,022
Total operating costs		**603,869**	**705,059**
Income before interest and tax (EBIT)		**1,554**	**16,675**
Financial income	11	99,357	57,385
Financial expenses	12	23,282	9,700
Income before company tax		**77,629**	**64,360**
Tax on income for the year	13	18,203	38,420
Net profit for the year		**59,426**	**25,940**
Earnings per share (EPS) – DKK			
Basic earnings per share of DKK 10	14	2.1	1.0
Diluted earnings per share of DKK 10	14	2.1	1.0

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

DKK thousand	Note	2015	2014
Net profit for the year		**59,426**	**25,940**
Items that may subsequently be reclassified to the income statement:			
Exchange rate adjustments on translating foreign operations		(38,371)	(41,552)
Other comprehensive income after tax		**(38,371)**	**(41,552)**
Total comprehensive income		**21,055**	**(15,612)**

CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

DKK thousand	Note	2015	2014
Net profit for the year		**59,426**	**25,940**
Adjustment for non-cash items:			
Financial income		(99,357)	(57,385)
Financial expenses		23,282	9,700
Tax on income for the year		18,203	38,420
Depreciation and amortization	9	43,525	44,946
Expensing (amortization) of IMVAMUNE/IMVANEX development project	15	2,694	45,535
Share-based payment	8	26,746	21,317
Changes in development projects for sale	17	(41,656)	-
Changes in inventories		30,845	111,803
Changes in receivables		28,017	(78,322)
Changes in provisions		(878)	3,616
Changes in current liabilities		(12,470)	180,222
Cash flow from operations (operating activities)		**78,377**	**345,792**
Received financial income		43,742	19,412
Paid financial expenses		(2,935)	(4,177)
Paid company taxes		(13,861)	(22,278)
Cash flow from operating activities		**105,323**	**338,749**
Investments in and additions to intangible assets	15	(28,269)	(53,595)
Investments in property, plant and equipment	16	(31,652)	(52,392)
Disposal of property, plant and equipment		1,200	53
Investments in/disposal of financial assets		(122)	39
Investments in securities		(734,557)	(588,478)
Disposal of securities		615,277	190,708
Cash flow from investment activities		**(178,123)**	**(503,665)**
Payment on mortgage and construction loan		(1,885)	(49,019)
Proceeds from warrant programs exercised		28,595	14,357
Proceeds from direct placement		-	251,000
Costs related to issue of new shares		(141)	(100)
Cash flow from financing activities		**26,569**	**216,238**
Cash flow of the year		**(46,231)**	**51,322**
Cash and cash equivalents as of January 1		398,357	346,799
Currency adjustments January 1		21,937	236
Cash and cash equivalents as of December 31		**374,063**	**398,357**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - ASSETS AS OF DECEMBER 31, 2015 AND 2014

DKK thousand	Note	2015	2014
Non-current assets			
Acquired patents and licenses		-	24,719
Software		3,194	4,835
IMVAMUNE/IMVANEX development project		100,500	78,357
Other intangible assets in progress		4,495	1,283
Intangible assets	15	**108,189**	**109,194**
Land and buildings		218,610	226,144
Leasehold improvements		402	892
Plant and machinery		53,562	64,606
Other fixtures and fittings, other plant and equipment		19,358	20,900
Assets under construction		33,828	24,031
Property, plant and equipment	16	**325,760**	**336,573**
Other receivables	20	914	792
Financial assets		**914**	**792**
Deferred tax assets	**13**	**150,142**	**121,586**
Total non-current assets		**585,005**	**568,145**
Current assets			
Development projects for sale	17	**70,069**	**-**
Inventories	18	**91,002**	**121,847**
Trade receivables	19	137,927	186,783
Tax receivables		4,174	4,913
Other receivables	20	19,652	14,516
Prepayments	21	23,230	11,357
Receivables		**184,983**	**217,569**
Securities	23	684,141	581,350
Cash and cash equivalents		374,063	398,357
Securities, cash and cash equivalents		**1,058,204**	**979,707**
Total current assets		**1,404,258**	**1,319,123**
Total assets		**1,989,263**	**1,887,268**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - EQUITY AND LIABILITIES AS OF DECEMBER 31, 2015 AND 2014

DKK thousand	Note	2015	2014
Equity			
Share capital		280,197	276,712
Retained earnings		1,066,558	972,321
Other reserves		(4,276)	3,061
Equity		**1,342,479**	**1,252,094**
Liabilities			
Provisions	24	25,226	18,603
Debt to credit institutions	25	31,324	33,293
Non-current liabilities		**56,550**	**51,896**
Debt to credit institutions	25	1,969	1,885
Prepayment from customers	26	405,789	375,190
Trade payables		69,574	58,666
Company tax		621	40
Provisions	24	570	4,214
Other liabilities	22	111,711	143,283
Current liabilities		**590,234**	**583,278**
Total liabilities		**646,784**	**635,174**
Total equity and liabilities		**1,989,263**	**1,887,268**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2015

DKK thousand	Share-capital	Retained earnings	Reserves for currency adjustment	Share-based payment	Equity
Equity as of January 1, 2015	**276,712**	**972,321**	**(35,185)**	**38,246**	**1,252,094**
Comprehensive income for the year					
Net profit for the year	-	59,426	-	-	59,426
Other comprehensive income					
Exchange rate adjustments on translating foreign operations	-	-	(38,371)	-	(38,371)
Total comprehensive income for the year	**-**	**59,426**	**(38,371)**	**-**	**21,055**
Transactions with owners					
Share-based payment	-	-	-	9,287	9,287
Warrant programs exercised	3,485	34,816	-	(9,706)	28,595
Warrant programs expired	-	136	-	(136)	-
Costs related to issue of new shares	-	(141)	-	-	(141)
Tax related to items recognized directly in equity	-	-	-	31,589	31,589
Total transactions with owners	**3,485**	**34,811**	**-**	**31,034**	**69,330**
Equity as of December 31, 2015	**280,197**	**1,066,558**	**(73,556)**	**69,280**	**1,342,479**

The share capital comprises a total of 28,019,671 shares of DKK 10 as of December 31, 2015 (27,671,247 shares). The shares are not divided into share classes, and each share carries one vote.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2014

DKK thousand	Share-capital	Retained earnings	Reserves for currency adjustment	Share-based payment	Equity
Equity as of January 1, 2014	**260,944**	**652,021**	**6,367**	**56,958**	**976,290**
Comprehensive income for the year					
Net profit for the year	-	25,940	-	-	25,940
Other comprehensive income					
Exchange rate adjustments on translating foreign operations	-	-	(41,552)	-	(41,552)
Total comprehensive income for the year	**-**	**25,940**	**(41,552)**	**-**	**(15,612)**
Transactions with owners					
Share-based payment	-	-	-	6,888	6,888
Warrant programs exercised	2,448	18,342	-	(6,433)	14,357
Warrant programs expired	-	38,438	-	(38,438)	-
Capital increase through direct placement	13,320	237,680	-	-	251,000
Costs related to issue of new shares	-	(100)	-	-	(100)
Tax related to items recognized directly in equity	-	-	-	19,271	19,271
Total transactions with owners	**15,768**	**294,360**	**-**	**(18,712)**	**291,416**
Equity as of December 31, 2014	**276,712**	**972,321**	**(35,185)**	**38,246**	**1,252,094**

The share capital comprises a total of 27,671,247 shares of DKK 10 as of December 31, 2014 (26,094,361 shares). The shares are not divided into share classes, and each share carries one vote.

Transactions on the share capital have been the following:

DKK thousand	2015	2014	2013	2012	2011
Share capital as of January 1	276,712	260,944	260,944	260,944	129,620
Issue of new shares	3,485	15,768	-	-	131,324
Share capital as of December 31	**280,197**	**276,712**	**260,944**	**260,944**	**260,944**

Rules on changing Articles of Association
Changing the Articles of Association requires that the resolution passes by at least 2/3 of the votes as well as 2/3 of the voting capital represented.

1 Significant accounting policies

Basis of preparation

The consolidated financial statements for Bavarian Nordic have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for the consolidated financial statements of listed companies. Danish disclosure requirements for the presentation of consolidated financial statements are imposed by the Statutory Order on Adoption of IFRS issued under the Danish Financial Statements Act and by the Nasdaq Copenhagen.

The accounting policies are unchanged from last year except for changes due to implementation of new and revised standards that were effective January 1, 2015.

The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency of the parent company.

The consolidated financial statements are presented on a historical cost basis, apart from derivative financial instruments, securities and liability relating to phantom shares, which are measured at fair value.

The accounting policies have been consistently applied for the financial year and for the comparative figures.

In the narrative sections of the consolidated financial statements comparative figures for 2014 are shown in brackets.

The Company entered into a new significant agreement with Bristol-Myers Squibb in March 2015. The accounting policies with regard to this agreement are presented in note 3 "Revenue". The agreement also resulted in a reclassification of acquired licenses, as described in note 17 "Development projects for sale".

Implementation of new and revised standards and interpretations

The International Accounting Standards Board (IASB) has issued new standards and revisions to existing standards and new interpretations which are mandatory for accounting periods commencing on or after January 1, 2015. The implementation of new or revised standards and interpretations that are in force have not changed the accounting policies and thus not affected net profit for the year or the financial position.

Standards and interpretations not yet in force

At the date of publication of the consolidated financial statements, a number of new and amended standards and interpretations have not yet entered into force or have not yet been adopted by the EU. Therefore, they are not incorporated in the consolidated financial statements.

The following standards are in general expected to change the current accounting regulation most significantly:

IASB has issued IFRS 9 "Financial Instruments" with effective date January 1, 2018 however it has not yet been endorsed by EU. IFRS 9 "Financial Instruments" is part of IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement", and the new standard will change the classification, presentation and measurement of financial instruments and hedging requirements. The Company is assessing the impact of the standard, but it is not expected to have any material impact on future consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers" is effective for annual periods beginning on or after January 1, 2018, however it has not yet been endorsed by EU. Entities will apply a five step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. Before implementation of the standard, the Company will assess whether IFRS 15 "Revenue from Contracts with Customers" has an impact on current and new significant agreements. The new standard is not expected to have any material impact on future consolidated financial statements.

IFRS 16 "Leases" was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The standard has not yet been endorsed by the EU. IFRS 16 is expected to have an impact on the Group as a lessee, as all leases (except for short term leases and leases of asset of low value) shall be recognized on balance as the right-of-use asset and lease liability measured at the present value of future lease payments defined as economically unavoidable payments. The right-of-use asset is subsequently depreciated in a similar way to other assets such as tangible assets over the lease term and interest shall be calculated on the lease liability similar to finance leases under IAS 17. Consequently, the change will also impact the presentation in the income statement and the statement of cash flows. As the standard is newly issued the Company has not yet performed an assessment of the impact the standard will have for the financial statements of the Group, thus it is not possible to give an estimate of the effect on the implementation of the standard.

Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses" was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2017. The amendments have not yet been endorsed by EU and therefore not yet implemented either. As the amendments to IAS 12 are newly issued the Company has not yet performed an assessment of the impact the amendments will have for the financial statements of the Group, thus it is not possible to give an estimate of the effect on the implementation of the amendments.

Accounting policies

The accounting policies for specific line items are described in the notes to the financial statements. Set out below is a description of the accounting policies for the basis of consolidation, foreign currency translation and the cash flow statement, and the definitions of ratios are also included.

Recognition and measurement

Income is recognized in the income statement when generated. Assets and liabilities are recognized in the balance sheet when it is probable that any future economic benefit will flow to or from the Group and the value can be reliably measured. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described in the description

of the accounting policies in the respective notes to the financial statements.

Basis of consolidation
The consolidated financial statements include Bavarian Nordic A/S and the subsidiaries in which the Group holds more than 50% of the voting rights or otherwise has control.

Principles of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the individual subsidiaries, and these are prepared in accordance with the Group's accounting policies and for the same accounting period.

Intra-group income and expenses together with all intra-group profits, receivables and payables are eliminated on consolidation. In the preparation of the consolidated financial statements, the book value of shares in subsidiaries held by the parent company is set off against the equity of the subsidiaries.

Foreign currency translation
On initial recognition, transactions denominated in currencies other than the Group's functional currency are translated at the exchange rate ruling at the transaction date.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Exchange differences between the exchange rate at the date of the transaction and the exchange rate at the date of payment or the balance sheet date, respectively, are recognized in the income statement under financials. Property, plant and equipment and intangible assets, inventories and other non-monetary assets acquired in foreign currency and measured based on historical cost are translated at the exchange rates at the transaction date.

On recognition in the consolidated financial statements of subsidiaries whose financial statements are presented in a functional currency other than Danish kroner (DKK), the income statements are translated at the average exchange rates of the respective months. Balance sheet items are translated at the exchange rates at the balance sheet date.

Exchange differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates of the respective months to exchange rates at the balance sheet date are recognized as other comprehensive income.

Segment reporting
The Group is focused on growth strategies that through private and public partnerships will develop and commercialize vaccines and immunotherapies against infectious diseases and cancer.

The Group decided in March 2015 to abandon the divisional structure and merged the two divisions; "Cancer Immunotherapy" and "Infectious Diseases". Therefore, the Group does no longer prepare segment reporting internally, hence only has one operating segment to report externally.

The internal financial reporting no longer contains separate sections for the two divisions.

Geographic spilt of revenue and revenue from major customers are disclosed in note 3 to the consolidated financial statements. Geographic location of non-current assets is disclosed in note 15 and 16 to the consolidated financial statements.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method on the basis of the Group's net profit for the year. The statement shows the Group's cash flows broken down into operating, investing and financing activities, cash and cash equivalents at year end and the impact of the calculated cash flows on the Group's cash and cash equivalents.

Cash flows in foreign currencies are translated into Danish kroner at the exchange rate on the transaction date. In the cash flows from operating activities, income before interest and tax is adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities include cash flows from the purchase and sale of intangible assets, property, plant and equipment, investments and securities.

Cash flows from financing activities include cash flows from the raising and payment of loans and capital increases.

Additionally, cash flows from assets held under finance leases are recognized by way of lease payments made.

2 Significant accounting estimates, assumptions and uncertainties

In the preparation of the consolidated financial statements, Management makes a number of accounting estimates which form the basis for the presentation, recognition and measurement of the Group's assets and liabilities.

The recognition and measurement of assets and liabilities often depends on future events that are somewhat uncertain. In that connection, it is necessary to assume a course of events that reflects Management's assessment of the most probable course of events.

In connection with the preparation of the consolidated financial statements, Management has made a number of estimates and assumptions concerning carrying amounts. Management has made the following accounting judgments which significantly affect the amounts recognized in the consolidated financial statements:

- Revenue recognition (note 3)
- Deferred tax asset (note 13)
- Capitalization of development costs (note 5 and 15)
- Useful lives of property, plant and equipment (note 16)
- Development projects for sale (note 17)
- Inventories, including impairment and production overheads (note 18)
- Provisions (note 24)

Please refer to the specific notes for further description of the significant accounting estimates and assumptions used.

Change in accounting estimates
No significant changes have been made in accounting estimates in 2015.

3 Revenue

Accounting policies
Revenue comprises the fair value of the consideration received or receivable for sales of goods and income derived from development services including sale of delivered development services under the IMVAMUNE/IMVANEX development project. Revenue is measured net of value added tax, duties, etc. collected on behalf of a third party and discounts. The revenue is recognized when it is probable that future economic benefits will flow to the Group and these benefits can be measured reliably and when any significant risks and rewards of ownership of the goods or right to the services are transferred and the Group no longer retains managerial responsibility for, or control of, the goods or services sold.

Agreements with commercial partners generally include non-refundable upfront license and collaboration fees, milestone payments, the receipt of which is dependent upon the achievement of certain clinical, regulatory or commercial milestones, as well as royalties on product sales of licensed products, if and when such product sales occur, and revenue from the supply of products. For these agreements that include multiple elements, total contract consideration is attributed to separately identifiable components on a reliable basis that reasonably reflects the selling prices that might be expected to be achieved in stand alone transactions provided that each component has value to the partner on a stand alone basis. The then allocated consideration is recognized as revenue in accordance with the principles described above.

Sales of goods and licences that transfer the rights associated with ownership of an intangible asset are recognized at a point in time when control is transferred. Revenue from development services and licences that do not transfer the right of ownership to an intangible asset are recognized over time in line with the execution and delivery of the work. If multiple components are not separable, they are combined into a single component and recognized over the period where the Group is actively involved in development and deliver significant services to the collaboration partner.

Significant accounting estimates
Whether a component of a multiple element contract has value to the partner on a stand alone basis is based on an assessment of specific facts and circumstances and is associated with judgement. This applies also to the assessment of whether a license transfers rights associated with ownership of an intangible asset. Furthermore, allocation of the total consideration of a contract to separately identifiable components requires considerable estimates and judgement to be made by Management. At inception and throughout the life of a contract, Management is performing an analysis of the agreement with its partners based on available facts and circumstances at each assessment date such as historical experience and knowledge from the market to the extent obtainable. This includes also an understanding of the purpose of the deliverables under the contract and the negotiation taken place prior to concluding the contract.

Accounting for BMS PROSTVAC agreement
In March 2015, the Company entered into an Option and License Agreement with Bristol-Myers Squibb (BMS) under which the Group can receive up to $975 million in upfront and milestone payments as specified below.

- upfront option grant payment of $60 million;
- option exercise and license payment of $80 million;
- additional incremental payments starting at $50 million, but with a potential to exceed $230 million should the median overall survival benefit of PROSTVAC exceed the efficacy seen in Phase 2 results;
- regulatory milestones of up to $110 million receivable upon grant of final regulatory approval in pre specified major markets; and
- sales milestones of up to $495 million.

The agreement also includes royalty on future sales of PROSTVAC, ranging from the high teens to potentially the mid-twenties.

Upon signing the Group received the upfront option grant payment of $60 million. In accordance with the Group's accounting policy, Management has assessed whether the upfront option payment of $60 million represents a transfer of goods or services that has value to BMS on a stand-alone basis. As Management has concluded that no goods or services have been transferred yet, the upfront option payment of $60 million is recognized in the statement of financial position at December 31, 2015 as a prepayment from customers.

Upon exercise of the option by BMS, the PROSTVAC license and any associated trial information to date will effectively transfer to BMS without any restrictions. Accordingly, we will recognize as revenue the option exercise and license payments. As BMS and we have

3 Revenue – continued

agreed that we will complete the Phase 3 trial, a portion of the payment will be allocated to the completion of the Phase 3 trial of PROSTVAC if BMS exercises its option before the Phase 3 trial is completed. Upon completion of the Phase 3 trial, the Group will recognize as revenue the Phase 3 completion milestone payments. Regulatory and sales milestone payments will be recognized as revenue when relevant milestones are achieved. If the option expires unexercised the option grant payment of $60 million will be recognized as revenue.

The National Cancer Institute (NCI) has rights to 10% of the upfront option payment of $60 million, which has been paid as of December 31, 2015, as well as 10% of the option exercise and license payment of $80 million, if and when BMS exercises the option.

Accounting for HPV agreement

In December 2015, the Group signed a license and collaboration agreement with Janssen Pharmaceuticals, Inc. (Janssen). Under the agreement, Janssen will acquire exclusive rights to the Group's MVA-BN® technology for use in a prime-boost vaccine regimen together with Janssen's own AdVac® technology with the purpose of targeting all cancers induced by human papillomavirus (HPV). Under the agreement, the Group will undertake all manufacturing related to MVA-BN® including related development work. The Group is entitled to an upfront payment of $9 million that was received in January 2016. The Group is also entitled to receive (i) up to $162 million in sales, development and regulatory milestones, and (ii) single-digit tiered royalties on commercial sales. Janssen will be responsible for all costs associated with development, subject to certain exceptions. In addition, under the agreement, the Group has exclusive rights to all manufacturing related to MVA-BN® in the future, subject to certain exceptions. For the year ended December 31, 2015, no revenue or prepayments have been recognized in the consolidated financial statements. Since the development project is in a very early stage (pre pre-clinical), Management has assessed that the exclusive license grant does not have a separate value for Janssen and therefore no part of the prepayment has been allocated to this deliverable. Recognition of revenue will occur in concurrence with work performed starting from 2016.

DKK thousand	2015	2014
IMVAMUNE/IMVANEX sale	77,813	1,024,236
Other product sale	762,054	-
Sale of goods	839,867	1,024,236
Contract work	180,694	192,579
Sale of services	180,694	192,579
Revenue	**1,020,561**	**1,216,815**
Geographic split of revenue:		
USA	199,444	1,208,440
Holland	792,814	-
Canada	22,569	-
Other geographic markets	5,734	8,375
Revenue	**1,020,561**	**1,216,815**

No revenue has been achieved on the Danish market in 2015 and 2014.

Revenue for the following customers represent more than 10% of total revenue:

- Biomedical Advanced Research and Development Authority (BARDA), USA, DKK 152 million (DKK 1,190 million)
- Crucell/Janssen, Holland, part of Johnson & Johnson Group, DKK 793 million (DKK 2 million).

4 Production costs

Accounting policies

Production costs consist of costs incurred in generating the revenue for the year. Costs for raw materials, consumables, production staff and a proportion of production overheads, including maintenance, depreciation and impairment of tangible assets used in production as well as operation, administration and management of the production facility are recognized as production costs. In addition, the costs related to excess capacity and write-down to net realisable value of goods on stock are recognized.

DKK thousand	2015	2014
Cost of goods sold, IMVAMUNE/IMVANEX sale	20,511	411,112
Cost of goods sold, other product sale	171,209	-
Contract costs	108,678	91,673
Other production costs	114,740	(7,704)
Production costs	**415,138**	**495,081**

Production costs include external filling costs of DKK 26 million in 2015 (DKK 112 million).

Other production costs amounted to DKK 114 million, of which write-downs totaled DKK 47 million. During 2015 we incurred initial costs when putting the new multi-product facility into operation.

In 2014 other production costs amounted to DKK (8) million, which primarily was due to an extraordinary production performance with low level of write-downs during 2014 and reversal of DKK 12 million in write-downs from 2013.

The development in write-downs is shown in note 18.

5 Research and development costs

Accounting policies and significant accounting estimates

Research and development costs include salaries and costs directly attributable to the Group's research and development projects, less government grants. Furthermore, salaries and costs supporting direct research and development, including costs of patents, rent, leasing and depreciation attributable to laboratories, and external scientific consultancy services, are recognized under research and development costs. No indirect or general overhead costs that are not directly attributable to research and development activities are included in the disclosure of research and development expenses recognized in the income statement.

5 Research and development costs – continued

Contract research costs incurred to achieve revenue are recognized under production costs. Research costs are expensed in the year they occur.

Development costs are generally expensed in the year they occur. In line with industry custom, capitalization of development costs does not begin until it is deemed realistic that the product can be completed and marketed and it is highly likely that a marketing authorization will be received. In addition, there must be sufficient certainty that the future earnings to the Group will cover not only production costs, direct distribution and administrative costs, but also the development costs.

However, the Group has met the criteria for capitalize the development costs attributable to the development of IMVAMUNE/IMVANEX, as the RFP-3 contract with the U.S. Government initially comprised the delivery of 20 million doses and an option to buy additional doses. The Group has delivered 28 million doses to the U.S. Government for emergency use. In July 2015, the Company obtained an order to deliver further IMVAMUNE/IMVANEX batches to the U.S. Government.

Although the development activities are performed on behalf of the U.S. Government, the output of the IMVAMUNE/IMVANEX development activities are applicable generally on a global basis as the underlying technology currently being developed represents the platform technology that, subject to relevant approvals, benefits any jurisdiction for production, sale and delivery of IMVAMUNE/IMVANEX.

The product has received regulatory approval in both the EU and Canada. Regulatory approval in the United States is pending completion of the last Phase 3 study. The Group intends to and believes that it has adequate technical, financial and other resources to complete the Phase 3 study and file for FDA approval. Historical sale shows that there is a market for sale of smallpox vaccine and management believes that the Group's smallpox vaccine is likely to generate probable future economic benefits for the Group.

Capitalization of the development costs attributable to this development project began at the date of regulatory approval of the applicable clinical trial.

Capitalized development costs regarding the registration of IMVAMUNE/IMVANEX are expensed (amortized) and recognized in the income statement under research and development costs when the related income on delivery of the development results have been earned and recognized as revenue. When the development has been completed and IMVAMUNE/IMVANEX has been approved by the FDA, the remaining carrying amount will be amortized in concurrence with the delivery of doses over the expected economic life of the asset, i.e. unit of production amortization method. Management believes that the unit of production amortization method reflects the pattern in which the future economic benefits arising from the IMVAMUNE/IMVANEX development asset are expected to be consumed by the Group.

The costs capitalized at December 31, 2015 were limited to those costs incurred and considered recoverable. The primary reason for the probable recovery of the capitalized costs is the delivery agreement with BARDA, which included the historical delivery of 28 million doses prior to the final regulatory approval by the FDA and as such before the completion of the development project.

Grants that compensate the Group for research and development expenses incurred, which are recognized directly in the income statement, are set off against the costs of research and development at the time when a final and binding right to the grant has been obtained.

DKK thousand	2015	2014
Research and development costs incurred this year	517,632	572,005
Of which:		
Contract costs recognized as production costs (note 4)	(108,678)	(91,673)
Capitalized development costs (note 15)	(24,837)	(46,937)
	384,117	433,395
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE/IMVANEX development project (note 15)	2,694	45,535
Research and development costs recognized in the income statement	**386,811**	**478,930**

Research and development costs include expenses for external clinical research organizations, or CRO's, of DKK 230 million in 2015 (DKK 259 million) and severance costs of DKK 12 million (DKK 0 million) as the research and development functions were centralized in the second quarter of 2015 when the divisional structure of "Cancer Immunotherapy" and "Infectious Diseases" was merged. Number of headcount was reduced by approximately 40 researchers.

6 Distribution costs

Accounting policies

Distribution costs include costs incurred for distribution of goods sold and sales campaigns, including costs for sales and distribution personnel, advertising costs and depreciation and amortization of property, plant and equipment and intangible assets used in the distribution process.

7 Adminstrative costs

Accounting policies

Administrative costs include costs of Group Management, staff functions, administrative personnel, office costs, rent, lease payments and depreciation not relating specifically to production, research and development activities or distribution costs. In 2015, we incurred less rent expenses compared to 2014 due to relocation of our staff in California.

8 Staff costs

DKK thousand	2015	2014
Wages and salaries	300,455	274,478
Contribution based pension	21,026	19,048
Social security expenses	17,588	15,712
Other staff expenses	21,301	21,966
Share-based payment	26,746	21,317
Staff costs	**387,116**	**352,521**
Staff expenses are distributed as follows:		
Production costs	138,548	129,611
Research and development costs	124,426	110,014
Distribution costs	21,687	18,767
Administrative costs	99,725	89,594
Capitalized salaries	2,730	4,535
Staff costs	**387,116**	**352,521**
Average number of employees converted to full-time	420	421
Number of employees as of December 31 converted to full-time	409	422

The Group only has defined contribution plans and pays regular fixed contributions to independent pension funds and insurance companies.

DKK thousand	2015	2014
Staff costs include the following costs:		
Board of Directors:		
Gerard van Odijk (Chairman):		
Remuneration	878	500
Share-based payment	47	83
Anders Gersel Pedersen (Deputy chairman):		
Remuneration	560	250
Share-based payment	47	83
Claus Braestrup:		
Remuneration	395	250
Share-based payment	47	83
Erik Gregers Hansen:		
Remuneration	443	250
Share-based payment	47	83
Peter Kürstein:		
Remuneration	395	250
Share-based payment	47	50
Asger Aamund:		
Share-based payment	-	153
Group Management:		
Paul Chaplin (CEO):		
Salary	5,369	4,260
Paid bonus	3,964	1,409
Other employee benefits	171	532
Contribution based pension	-	21
Share-based payment	708	589
Ole Larsen (CFO):		
Salary	3,300	3,099
Paid bonus	1,652	1,440
Other employee benefits	176	169
Contribution based pension	330	310
Share-based payment	619	560
Anders Hedegaard (former CEO):		
Salary	-	2,923
Paid bonus	-	1,442
Other employee benefits	-	117
Share-based payment	-	1,143
James B. Breitmeyer (former Chief Development Officer):		
Salaries	2,986	3,480
Paid bonus	4,601	1,678
Share-based payment	64	362
Severance costs	2,869	-
Total management remuneration	**29,715**	**25,569**

8 Staff costs – continued

In December 2015 Paul Chaplin was granted 41,005 warrants with a fair value of DKK 4.7 million and Ole Larsen was granted 28,797 warrants with a fair value of DKK 3.3 million (based on Black-Scholes), cf. note 28.

CEO and President of the Company Paul Chaplin and CFO Ole Larsen constitute the Corporate Management in the Parent Company.

Executive Vice President and Chief Development Officer James B. Breitmeyer resigned July 31, 2015.

Provisions for incentive agreement with former Division President for Cancer Immunotherapy Reiner Laus, are recognized in other administrative costs. See note 24 for further details.

Incentive programs for Group Management and other employees are disclosed in note 28.

Members of the Group Management have contracts of employment containing standard terms for members of the Group Management of Danish listed companies, including the periods of notice that both parties are required to give and competition clauses. If a contract of employment of a member of the Group Management is terminated by the Company without misconduct on the part of such member, the member of the Group Management is entitled to compensation, which, depending on the circumstances, may amount to a maximum of 12-18 months' remuneration. In the event of a change of control the compensation can amount to 24 months' remuneration.

9 Depreciation and amortization

DKK thousand	2015	2014
Depreciation and amortization included in:		
Production costs	36,271	33,921
Research and development costs	3,307	2,936
Distribution costs	18	15
Administrative costs	3,929	8,074
Depreciation and amortization	**43,525**	**44,946**
Hereof loss from disposed fixed assets	36	33

10 Fees to auditor appointed at the annual general meeting

DKK thousand	2015	2014
Audit of financial statements	4,461	761
Other assurance services	3,404	94
Tax advisory	1,224	889
Other services	294	166
Fees	**9,383**	**1,910**

Audit of financial statements include for 2015 a fee of DKK 3 million related to re-audit of 2013 and 2014 under the PCAOB auditing standards.

Other assurance services include a fee of DKK 3.4 million related to the filing of a Form F-1 Registration Statement with the U.S. Securities and Exchange Commission (the "SEC") for a proposed initial public offering of American Depositary Shares ("ADSs").

11 Financial income

Accounting policies

Interest income is recognized in the income statement at the amounts relating to the financial year. Financial income also includes net positive value adjustments of financial instruments and securities as well as net currency gains.

DKK thousand	2015	2014
Financial income from bank and deposit contracts	38	12
Interest income from financial assets not measured at fair value in the income statement	38	12
Financial income from securities	14,959	4,028
Net gains on derivative financial instruments at fair value in the income statement (held for trading)	17,402	-
Net foreign exchange gains	66,958	53,345
Financial income	**99,357**	**57,385**

Net foreign exchange gains are mainly related to the increasing USD rate during 2015.

Net foreign exchange gains include DKK 37.6 million (DKK 37.9 million) of unrealized gains related to intercompany receivable with Bavarian Nordic, Inc.

12 Financial expenses

Accounting policies

Interest expenses are recognized in the income statement at the amounts relating to the financial year. Financial expenses also include net negative value adjustments of financial instruments and securities, net currency losses and adjustment of the net present value of provisions.

DKK thousand	2015	2014
Interest expenses on debt	2,676	4,177
Interest expenses on financial liabilities not measured at fair value in the income statement	2,676	4,177
Fair value adjustments on securities	16,749	1,703
Adjustment of net present value of provisions	3,857	2,098
Net loss on derivative financial instruments at fair value in the income statement	-	1,722
Financial expenses	**23,282**	**9,700**

13 Tax for the year

Accounting policies

Income tax for the year comprises current tax and deferred tax for the year. The part relating to the profit for the year is recognized in the income statement, and the part attributable to items in the comprehensive income is recognized in the comprehensive income statement.

The tax effect of costs that have been recognized directly in equity is recognized in equity under the relevant items.

Current tax payable but not yet paid is recognized in the balance sheet under current liabilities.

Deferred tax is measured using the balance sheet liability method on all temporary differences between accounting values and tax values. Deferred tax liabilities arising from temporary tax differences are recognized in the balance sheet as a liability.

Deferred tax assets arising from temporary deductible differences and tax losses carried forward are recognized when it is probable that they can be realized by offsetting them against taxable temporary differences or future taxable profits. At each balance sheet date, it is assessed whether it is probable that there will be sufficient future taxable income for the deferred tax asset to be utilized.

Deferred income tax is provided on temporary taxable differences arising on investments in subsidiaries, unless the parent company is able to control the timing when the deferred tax is to be realized and it is likely that the deferred tax will not be realized within the foreseeable future.

Deferred tax is calculated at the tax rates applicable on the balance sheet date for the income years in which the tax asset is expected to be utilized.

Significant accounting estimates

Management is required to make an estimate in the recognition of deferred tax assets. The assessment is based on latest budgets and forecasts approved by the board of directors that include revenue from existing and future contracts for the sale om IMVAMUNE/IMVANEX, PROSTVAC and other development projects. In management's opinion, it is probable that sufficient taxable income will be available against which the unused tax losses can be utilized in order to recognize the deferred tax asset in Denmark of DKK 150 millon (DKK 122 million) as of December 31, 2015.

DKK thousand	2015	2014
Tax recognized in the income statement		
Current tax on profit for the year	15,182	15,814
Adjustments to current tax for previous years	(12)	1,290
Current tax	**15,170**	**17,104**
Change in deferred tax	7,077	13,815
Adjustment of deferred tax due to change in estimates of timing	(4,055)	7,473
Adjustments to deferred tax for previous years	11	28
Deferred tax	**3,033**	**21,316**
Tax for the year recognized in the income statement	**18,203**	**38,420**
Tax on income for the year is explained as follows:		
Income before company tax	77,629	64,360
Calculated tax (23.5%/24.5%) on income before company tax	18,243	15,768
Tax effect on:		
Different tax percentage in foreign subsidiaries	(1,515)	(344)
Non-recognized deferred tax asset on current year losses in foreign subsidiaries	10,861	9,716
Income ()/expenses that are not taxable/deductible for tax purposes	(5,330)	4,485
Adjustment of deferred tax due to change in estimates of timing	(4,055)	7,473
Adjustments to deferred tax for previous years	11	28
Adjustments to current tax for previous years	(12)	1,290
Other corrections	-	4
Tax on income for the year	**18,203**	**38,420**
Tax recognized in equity		
Tax on share based payment	(31,589)	(19,271)
Tax for the year recognized in equity	**(31,589)**	**(19,271)**

Tax on income is an expense of DKK 18 million (DKK 38 million), corresponding to an effective tax rate of 23.4% (59.7%).

13 Tax for the year – continued

Deferred tax

Recognized deferred tax assets relate to temporary differences between the tax base and accounting carrying amount and tax losses carried forward:

2015

DKK thousand	January 1, 2015	Recognized in the income statement	Recognized in equity	December 31, 2015
Intangible assets	(4,194)	(8,249)	-	(12,443)
Property, plant and equipment	991	(257)	-	734
Development projects for sale	-	(39,233)	-	(39,233)
Inventories	(1)	1	-	-
Accrued project costs	70	(218)	-	(148)
Obligations	804	156	-	960
Prepayment from customers	38,129	51,145	-	89,274
Share-based payment	24,565	2,056	31,589	58,210
Tax losses carried forward	61,222	(8,434)	-	52,788
Recognized deferred tax assets	**121,586**	**(3,033)**	**31,589**	**150,142**

2014

DKK thousand	January 1, 2014	Recognized in the income statement	Recognized in equity	December 31, 2014
Intangible assets	(15,081)	10,887	-	(4,194)
Property, plant and equipment	3,034	(2,043)	-	991
Inventories	27	(28)	-	(1)
Accrued project costs	319	(249)	-	70
Obligations	6,574	(5,770)	-	804
Prepayment from customers	36,854	1,275	-	38,129
Share-based payment	-	5,294	19,271	24,565
Tax losses carried forward	91,904	(30,682)	-	61,222
Recognized deferred tax assets	**123,631**	**(21,316)**	**19,271**	**121,586**

Deferred tax assets arising from temporary deductible differences and tax losses carried forward are recognized to the extent they are expected to be offset against future taxable income.

Recognized tax losses carried forward relate to Bavarian Nordic A/S and the two Danish subsidiaries Aktieselskabet af 1. juni 2011 I and BN Washington D.C. Holding A/S.

The tax value of non-recognized tax losses carried forward in Bavarian Nordic A/S and the two Danish subsidiaries amounts to DKK 182 million (DKK 182 million).

The tax value of non-recognized tax losses and tax credits carried forward in subsidiary Bavarian Nordic, Inc. amounts to DKK 220.1 million (DKK 204.9 million) of which DKK 39.1 million (DKK 30.7 million) relates to state tax and DKK 181.0 million (DKK 174.2 million) relates to federal tax.

Bavarian Nordic GmbH and Bavarian Nordic Washington DC, Inc. have no tax losses carried forward.

The Company's right to use the recognized tax losses carried forward is not time-limited.

In the calculation of deferred tax as of December 31, 2015, the Company has taken into account the gradual reduction of the Danish corporation tax rate from 25% in 2013 to 22% in 2016.

14 Earnings per share (EPS)

Accounting policies

Earnings per share is calculated as the profit or loss for the year compared to the weighted average of the issued shares in the financial year. The basis for the calculation of diluted earnings per share is the weighted-average number of ordinary shares in the financial year adjusted for the dilutive effects of warrants.

14 Earnings per share (EPS) – continued

DKK thousand	2015	2014
Net profit for the year	59,426	25,940
Earnings per share of DKK 10	2.1	1.0
Diluted earnings per share of DKK 10	2.1	1.0

The weighted average number of ordinary shares for the purpose of diluted earning per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Weighted average number of ordinary shares (thousand units)	27,798	26,359
Weighted average number of ordinary shares used in the calculation of basic earnings per share (thousand units)	27,798	26,359
Average dilutive effect of outstanding warrants under incentive schemes	804	481
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (thousand units)	28,602	26,840

Outstanding warrants have been included in the calculation of diluted earnings per share.

2015-program	335,002	-
2014-program	457,500	497,500
2013-programs	553,600	589,550
2012-programs	263,503	434,525
2011-program	15,000	130,500
2010-programs	-	66,646
Outstanding warrants, cf. note 28	**1,624,605**	**1,718,721**

15 Intangible assets

Accounting policies

Intangible assets are measured at historic cost less accumulated amortization and impairment losses. Development projects that meet the requirements for recognition as assets are measured at direct cost relating to the development projects. Interest expenses on borrowings to finance the production of intangible assets are included in cost if they relate to the period of production. Other borrowing costs are expensed.

Capitalized development costs regarding the registration of IMVAMUNE/IMVANEX under the RFP-3 contract with the U.S. Government are expensed (amortized) and recognized in the income statement under research and development costs when the related income on delivery of the development results have been earned and recognized as revenue, which may be before the completion of the development project and obtaining of approval. When the development has been completed and IMVAMUNE/IMVANEX has been approved by the FDA, the remaining carrying amount will be amortized in concurrence with the delivery of doses over the expected economic life of the asset, i.e. unit of production amortization method. Management believes that the unit of production amortization method reflects the pattern in which the future economic benefits arising from the IMVAMUNE/IMVANEX development asset are expected to be consumed by the Group.

Since the IMVAMUNE/IMVANEX development asset is expected to generate probable future economic benefits both from the U.S. Government and other non-U.S. countries the amortization policy is to amortize the IMVAMUNE/IMVANEX development asset based on the number of doses delivered to date to the U.S. Government and other non-U.S. countries relative to the total number of doses delivered to date and expected to be delivered over the next five years.

Expensing (amortization) of capitalized development costs prior to the completion of the development project is shown under cost. Amortization made after obtaining approval is shown under accumulated amortization.

The criteria for capitalization is descriped in note 5 "Research and development costs".

Purchased rights or rights acquired in connection with acquisitions which fulfil the requirements for recognition are measured at cost. Amortization is provided on a straight-line basis over the useful economic lives of the assets, max. 15 years.

Software is amortized on a straight-line basis over 3 years.

Impairment

The carrying amounts of intangible assets carried at cost or amortized cost are tested at least annually to determine whether there are indications of any impairment in excess of that expressed in normal amortization. If that is the case, the asset is written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses on intangible assets are recognized under the same line item as amortization of the assets.

For development projects in progress, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

Significant accounting estimates

Management has assessed that development costs relating to the registration of IMVAMUNE/IMVANEX under the RFP-3 contract with the U.S. Government continue to meet the conditions for capitalization.

In 2013, the Group started expensing (amortizing) capitalized development costs under the IMVAMUNE/IMVANEX project, as the Group is receiving payment for the delivered development results as from 2013 and recognizing payments as revenue when received. Management believes that the development results have been delivered at the time when the Group's right to payment has vested, and that the delivered development results represent a separate value to the U.S. Government. The right to payment vests simultaneously with the delivery of the doses. Accordingly, expensing (amortization) of the development costs is commenced before completion of the project and approval of IMVAMUNE/IMVANEX.

The Group received funding of $25 million from the U.S. Government to cover the additional costs that was related to the BARDA requested expansion of the largest Phase 3 study included in the RFP-3 contract. Therefore, 25% (1,000 subjects/4,000 subjects) of the costs related to this Phase 3 study have been recognized as contract costs under "Production costs" and $25 million has been recognized as revenue. The remaining 75% (3,000 subjects/4,000 subjects) of the Phase 3 costs have been capitalized under the IMVAMUNE/IMVANEX development project.

15 Intangible assets – continued

2015

DKK thousand	Acquired patents and licenses	Software	IMVAMUNE/ IMVANEX development project	Other intangible assets in progress	Total
Costs as of January 1, 2015	38,148	57,243	78,357	1,283	175,031
Additions	-	220	24,837	3,212	28,269
Transfer from property, plant and equipment	-	496	-	-	496
Expensed (amortized) related to sale of development results	-	-	(2,694)	-	(2,694)
Reclassification to development projects for sale	(31,282)	-	-	-	(31,282)
Exchange rate adjustments	(2)	47	-	-	45
Cost as of December 31, 2015	**6,864**	**58,006**	**100,500**	**4,495**	**169,865**
Amortization as of January 1, 2015	13,429	52,408	-	-	65,837
Amortization	-	2,339	-	-	2,339
Reclassification to development projects for sale	(6,562)	-	-	-	(6,562)
Exchange rate adjustments	(3)	65	-	-	62
Amortization as of December 31, 2015	**6,864**	**54,812**	**-**	**-**	**61,676**
Carrying amount as of December 31, 2015	**-**	**3,194**	**100,500**	**4,495**	**108,189**
Geographical split of intangible assets - 2015					
Denmark					107,858
Germany					331
Total intangible assets					**108,189**

IMVAMUNE/IMVANEX development project includes development costs related to the registration of IMVAMUNE/IMVANEX under the RFP-3 contract.

Reclassification of acquired licenses is explained in note 17.

Other intangible assets in progress include investments in software.

2014

DKK thousand	Acquired patents and licenses	Software	IMVAMUNE/ IMVANEX development project	Other intangible assets in progress	Total
Costs as of January 1, 2014	30,873	52,498	76,955	3,949	164,275
Additions	4,132	1,242	46,937	1,284	53,595
Transfer	-	3,208	-	(3,208)	-
Transfer to/from property, plant and equipment	-	358	-	(742)	(384)
Expensed (amortized) related to sale of development results	-	-	(45,535)	-	(45,535)
Disposals	-	(105)	-	-	(105)
Exchange rate adjustments	3,143	42	-	-	3,185
Cost as of December 31, 2014	**38,148**	**57,243**	**78,357**	**1,283**	**175,031**
Amortization as of January 1, 2014	10,356	49,290	-	-	59,646
Amortization	2,377	3,163	-	-	5,540
Disposals	-	(87)	-	-	(87)
Exchange rate adjustments	696	42	-	-	738
Amortization as of December 31, 2014	**13,429**	**52,408**	**-**	**-**	**65,837**
Carrying amount as of December 31, 2014	**24,719**	**4,835**	**78,357**	**1,283**	**109,194**
Geographical split of intangible assets - 2014					
Denmark					84,444
Germany					31
USA					24,719
Total intangible assets					**109,194**

16 Property, plant and equipment

Accounting policies

Property, plant and equipment include land and buildings, production equipment, leasehold improvements, office and IT equipment and laboratory equipment and is measured at cost less accumulated depreciation and impairment losses.

Cost includes the costs directly attributable to the purchase of the asset, until the asset is ready for use. For assets constructed by the Group cost includes materials, components, third-party suppliers and labour.

Interest expenses on loans to finance the construction of property, plant and equipment are included in cost if they relate to the construction period. Other borrowing costs are recognized in the income statement.

Depreciation is charged over the expected economic lives of the assets, and the depreciation methods, expected lives and residual values are reassessed individually for the assets at the end of each financial year. Assets are depreciated on a straightline basis over their estimated useful lives as follows:

Buildings	10-20 years
Installations	5-15 years
Leasehold improvements	5 years
Office and IT equipment	3-5 years
Laboratory equipment	5-10 years
Production equipment	3-15 years

Impairment

The carrying amounts of property, plant and equipment carried at cost or amortized cost are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal depreciation. If that is the case, the asset is written down to the recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Impairment losses on property, plant and equipment are recognized under the same line item as depreciation of the assets.

Grants

Grants that compensate the Group for purchase of assets are recognized initially in the balance sheet as a liability and are then recognized in the income statement on a systematic basis over the useful life of the asset.

Significant accounting estimates

Management reviews the estimated useful lives of material property, plant and equipment at the end of each financial year. Management's review of useful lives in 2015 did not give rise to any changes as compared with 2014.

2015

DKK thousand	Land and buildings	Leasehold improvement	Plant and machinery	Other fixtures and fittings, other plant and equipment	Assets under construction	Total
Costs as of January 1, 2015	304,244	12,883	248,963	75,811	24,031	665,932
Additions	1,071	-	1,561	4,965	24,055	31,652
Transfer	6,801	-	6,768	153	(13,722)	-
Transfer to intangible assets	-	-	-	-	(496)	(496)
Disposals	-	(3,911)	-	(9,078)	(47)	(13,036)
Exchange rate adjustments	1	424	-	1,989	7	2,421
Cost as of December 31, 2015	**312,117**	**9,396**	**257,292**	**73,840**	**33,828**	**686,473**
Depreciation and impairment losses as of January 1, 2015	78,100	11,991	184,357	54,911	-	329,359
Depreciation	15,406	308	19,373	6,063	-	41,150
Disposals	-	(3,692)	-	(8,096)	-	(11,788)
Exchange rate adjustments	1	387	-	1,604	-	1,992
Depreciation and impairment losses as of December 31, 2015	**93,507**	**8,994**	**203,730**	**54,482**	**-**	**360,713**
Carrying amount as of December 31, 2015	**218,610**	**402**	**53,562**	**19,358**	**33,828**	**325,760**

Geographical split of property, plant and equipment - 2015

Denmark	319,863
Germany	3,998
USA	1,899
Total property, plant and equipment	**325,760**

Property, plant and equipment under construction mainly includes investment in equipment and a small scale filling line at December 31, 2015.

Mortgage loans of DKK 33 million are secured by mortgages totaling DKK 50 million on the property Bøgeskovvej 9/Hejreskovvej 10A, Kvistgaard. In addition, as of December 31, 2015, mortgage deeds for a total of DKK 75 million have been issued. The carrying amount of assets mortgaged in security of mortgage loans is DKK 272 million.

16 Property, plant and equipment – continued

2014

DKK thousand	Land and buildings	Leasehold improve-ment	Plant and machinery	Other fixtures and fittings, other plant and equipment	Assets under construction	Total
Costs as of January 1, 2014	243,166	12,437	247,936	76,791	39,307	619,637
Additions	26,079	64	1,027	3,211	22,011	52,392
Transfer	35,001	-	-	1,928	(36,929)	-
Transfer to/from intangible assets	-	-	-	742	(358)	384
Disposals	-	-	-	(8,694)	-	(8,694)
Exchange rate adjustments	(2)	382	-	1,833	-	2,213
Cost as of December 31, 2014	**304,244**	**12,883**	**248,963**	**75,811**	**24,031**	**665,932**
Depreciation and impairment losses as of January 1, 2014	65,081	11,144	165,140	55,526	-	296,891
Depreciation	13,019	504	19,217	6,633	-	39,373
Disposals	-	-	-	(8,625)	-	(8,625)
Exchange rate adjustments	-	343	-	1,377	-	1,720
Depreciation and impairment losses as of December 31, 2014	**78,100**	**11,991**	**184,357**	**54,911**	**-**	**329,359**
Carrying amount as of December 31, 2014	**226,144**	**892**	**64,606**	**20,900**	**24,031**	**336,573**
Geographical split of property, plant and equipment - 2014						
Denmark						330,011
Germany						2,467
USA						4,095
Total property, plant and equipment						**336,573**

Property, plant and equipment under construction mainly includes investment in equipment, a small scale filling line and an expansion of the manufacturing facility at December 31, 2014.

Mortgage loans of DKK 35 million are secured by mortgages totaling DKK 50 million on the property Bøgeskovvej 9/Hejreskovvej 10A, Kvistgaard. In addition, as of December 31, 2014, mortgage deeds for a total of DKK 75 million have been issued. The carrying amount of assets mortgaged in security of mortgage loans is DKK 291 million.

17 Development projects for sale

Accounting policies

Development projects for sale consist of licenses that have been acquired with the intent to further develop the technology and subsequently disposal of the licenses either through a sale or by entering into a partnership agreement under which the licenses are assumed to be transferred to the partner.

Only the license payments to acquire the licenses are capitalized whereas all costs related to further development of the technology are expensed in the year they occur unless the criteria for recognition as an asset are met.

At initial recognition acquired licenses are measured at cost. Subsequently the acquired licenses are measured at the lower of cost and net realisable value.

The net realisable value is the estimated sales price in the ordinary course of business less relevant sales costs determined on the basis of marketability.

17 Development projects for sale – continued

Significant accounting estimates

In March 2015, the Company entered into an Option and License Agreement with Bristol-Myers Squibb (BMS). As a result of this new agreement, Management reassessed the accounting treatment of acquired NCI (National Cancer Institute) licenses. As part of the Group's business model and core operations, the Group acquires licenses for further development with subsequent disposal of the licenses either through a sale or by entering into a partnership agreement under which the licenses are assumed to be effectively transferred to the partner. Prior to March 2015, previously acquired licenses from the NCI have been recognized as an intangible asset because it has been undetermined whether the licenses would be recovered through use by the Group itself or through sale. The NCI licenses will effectively transfer to BMS if the option related to the PROSTVAC agreement is exercised. In the first quarter of 2015, Management has therefore reclassified the carrying amount of acquired NCI licenses from intangible assets to development project for sale under current assets. The reclassification is a result of the change in the Group's expectations of how it will realize the asset as a consequence of the agreement with BMS and thus, the comparative figures for 2014 have not been restated. Further, in accordance with the license agreement with NCI, the Group has an obligation to pay 10% of the received upfront option payment from BMS to NCI. This additional license payment of $6 million has been paid and is recognized as part of the development projects for sale.

DKK thousand	2015	2014
Reclassified acquired NCI licenses from intangible assets	24,719	-
License payment to NCI related to the PROSTVAC agreement with Bristol-Myers Squibb	41,656	-
Exchange rate adjustment	3,694	-
Development projects for sale	**70,069**	**-**
Specification:		
PROSTVAC	47,869	-
CV-301	22,040	-
Brachyury	160	-
Development projects for sale	**70,069**	**-**

18 Inventories

Accounting policies

Inventories except for raw materials are measured at the lower of cost using the weighted average cost formula method less write-downs for obsolescence and net realisable value. Raw materials are measured at cost based on the FIFO method.

For raw materials, cost is determined as direct acquisition costs incurred. The cost of finished goods produced in-house and work in progress includes raw materials, consumables, filling cost, QC testing and direct payroll costs plus indirect costs of production.

Indirect costs of production include indirect materials and labour as well as maintenance of and depreciation on the machinery used in production processes, factory buildings and equipment used and cost of production administration and management.

The net realisable value is the estimated sales price in the ordinary course of business less relevant sales costs determined on the basis of marketability, obsolescence and changes in the expected sales price.

Significant accounting estimates

Production overheads are measured on the basis of actual costs. The basis of the actual costs is reassessed regularly to ensure that they are adjusted for changes in the utilization of production capacity, production changes and other relevant factors.

Biological living material is used, and the measurements and assumptions for the estimates made may be incomplete or inaccurate, and unexpected events or circumstances may occur, which may cause the actual outcomes to later deviate from these estimates. It may be necessary to change previous estimates as a result of changes in the assumptions on which the estimates were based or due to new information or subsequent events, for which certainty could not be achieved in the earlier estimates.

Estimates that are significant to the financial reporting are made in the determination of any impairment of inventories as a result of 'out-of-specification' products, expiry of products and sales risk.

DKK thousand	2015	2014
Raw materials and supply materials	31,785	21,676
Work in progress	135,589	115,313
Manufactured goods and commodities	13,517	30,749
Write-down on inventory	(89,889)	(45,891)
Inventories	**91,002**	**121,847**
Write-down on inventory as of January 1	(45,891)	(68,530)
Write-down for the year	(46,733)	(490)
Use of write-down	2,735	11,039
Reversal of write-down	-	12,090
Write-down on inventory as of December 31	**(89,889)**	**(45,891)**
Cost of goods sold amounts to, cf. note 4	191,720	411,112

19 Trade receivables

Accounting policies
Receivables are measured at initial recognition at fair value and subsequently at amortized value usually equal to the nominal value, net of impairment, to counter the loss after an individual assessment of risk of loss.

DKK thousand	2015	2014
Trade receivables from IMVAMUNE/ IMVANEX sale	-	131,488
Trade receivables from other product sale	61,979	-
Trade receivables from contract work	75,948	55,295
Trade receivables	**137,927**	**186,783**

There are no overdue receivables and there is no provision for bad debts as no losses are expected on trade receivables.

20 Other receivables

Accounting policies
Receivables are measured at initial recognition at fair value and subsequently at amortized value usually equal to the nominal value.

DKK thousand	2015	2014
Deposits	914	792
Receivable VAT and duties	8,581	5,919
Interest receivables	8,272	8,448
Other receivables	2,799	149
Other receivables	**20,566**	**15,308**
Classified as:		
Non-current assets	914	792
Current assets	19,652	14,516
Other receivables	**20,566**	**15,308**

21 Prepayments

Accounting policies
Prepayments recognized under assets include costs paid in respect of subsequent financial years, including project costs incurred that relate to revenue of subsequent years. Prepayments are measured at cost.

DKK thousand	2015	2014
Accrued project costs	672	313
Other prepayments	22,558	11,044
Prepayments	**23,230**	**11,357**

Prepayments include advisory fees of DKK 14.2 million related to the filing of a Form F-1 Registration Statement with the U.S. Securities and Exchange Commission (the "SEC") for a proposed initial public offering of American Depositary Shares ("ADSs"). These costs will be transferred to equity as "Cost related to issue of new shares" if and when the public offering has been completed.

22 Other liabilities

Accounting policies
Derivative financial instruments and liability relating to phantom shares are measured at fair value. For further details regarding measurement of fair value for phantom shares see note 28.

Other financial liabilities are measured at initial recognition at fair value less any transaction costs. Subsequent other financial liabilities are measured at amortized cost using the effective interest method, whereby the difference between proceeds and the nominal value is recognized in the income statement as a financial expense over the period. Amortized cost usually equal to the nominal value.

DKK thousand	2015	2014
Derivative financial instruments at fair value in the income statement	-	710
Liability relating to phantom shares	20,490	17,176
Payable salaries, holiday accrual etc.	56,238	61,934
Other accrued costs	34,983	63,463
Other liabilities	**111,711**	**143,283**

For a further description of financial instruments see note 23. The phantom share programs are described in note 28.

23 Financial risks and financial instruments

Accounting policies
Derivative financial instruments
On initial recognition, derivative financial instruments are measured at the fair value on the settlement date.

Directly attributable costs related to the purchase or issuance of the individual financial instruments (transaction costs) are added to the fair value on initial recognition, unless the financial asset or the financial liability is measured at fair value with recognition of fair value adjustments in the income statement. Subsequently, they are measured at fair value at the balance sheet date based on the official exchange rates, market interest rates and other market data such as volatility adjusted for the special characteristics of each instrument.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as fair value hedges of a recognized asset or a recognized liability are recognized in the income statement together with any changes in the value of the hedged asset or hedged liability. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as effective hedges of future transactions are recognized as comprehensive income. The ineffective portion is recognized immediately in the income statement. When the hedged transactions are realized, cumulative changes are recognized in the income statement together with the hedged transaction or in respect of a non-financial item as part of the cost of the transactions in question.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized as financials in the income statement as they occur.

23 Financial risks and financial instruments – continued

Securities

Securities consist of listed bonds, which are measured at fair value on initial recognition and as of the balance sheet date. Bonds with a maturity of less than three months on the date of acquisition are recognized in the line item "Cash and cash equivalents". The Group's portfolio of securities is treated as "financial items at fair value through profit or loss", as the portfolio is accounted for and valued on the basis of the fair value in compliance with the Group's investment policy.

Both realized and unrealized value adjustments are recognized in the income statement under financials.

DKK thousand	2015	2014
Categories of financial instruments		
Trade receivables	137,927	186,783
Other receivables	20,566	15,308
Loan and receivables	**158,493**	**202,091**
Cash and cash equivalents	374,063	398,357
Cash and cash equivalents	**374,063**	**398,357**
Securities	684,141	581,350
Financial assets measured at fair value in the income statement	**684,141**	**581,350**
Mortgage debt	33,293	35,178
Trade payables	69,574	58,666
Other liabilities	91,221	125,397
Financial obligations measured at amortized cost	**194,088**	**219,241**
Derivative financial instruments at fair value in the income statement (currency)	-	710
Liability relating to phantom shares	20,490	17,176
Financial liabilities measured at fair value in the income statement	**20,490**	**17,886**

Policy for managing financial risks

Through its operations, investments and financing the Group is exposed to fluctuations in exchange rates and interest rates. These risks are managed centrally in the Parent Company, which manages the Group´s liquidity. The Group pursues a treasury policy approved by the Board of Directors. The policy operates with a low risk profile, so that exchange rate risks, interest rate risks and credit risks arise only in commercial relations. The Group therefore does not undertake any active speculation in financial risk.

The Group´s capital structure is regularly assessed by the Board of Directors relative to the Group´s cash flow position and cash flow budgets.

Market risks

The Group is exposed to interest rate and foreign exchange risks as described below. Management believes that the Group is not sensitive to price risks as its raw material purchases make up a very modest part of its total production costs.

Interest rate risk

It is the Group's policy to hedge interest rate risks on loans whenever it is deemed that interest payments can be hedged at a satisfactory level relative to the related costs. Hedging will then consist of interest rate swaps that convert floating rate loans to fixed rate loans. The Company has no open interest hedge instruments as of December 31, 2015 or as of December 31, 2014.

The interest rate risk involved in placing cash funds and investing in securities is managed on the basis of duration.

Exchange rate risks

The Group's exchange rate exposure is primarily to USD and EUR. The exchange rate exposure to USD is hedged to the greatest possible extent by matching incoming and outgoing payments denominated in USD, looking at maximum one year ahead. Regular assessments are made of whether the remaining net position should be hedged by currency forward contracts or currency option contracts.

The exposure to EUR is not hedged as management believes that fluctuations in EUR are limited due to the Danish fixed-rate policy which we expect to be maintained. Thus the fluctuations in EUR do not have a significant impact on financial performance.

23 Financial risks and financial instruments – continued

Exchange rate risks in respect of recognized financial assets and liabilities

The Group's exposure to currency is shown below.

DKK thousand	Cash and cash equivalents, securities	Receivables	Liabilities	Net position	Covered	Non-secure net position
2015						
EUR	36,865	89	(14,839)	22,115	-	22,115
USD	96,741	125,991	(80,804)	141,928	-	141,928
2014						
EUR	7,692	2,010	(13,911)	(4,209)	-	(4,209)
USD	189,469	178,412	(100,821)	267,060	-	267,060

The Group is also exposed to the USD/DKK exchange rate risk on the intercompany receivable between Bavarian Nordic A/S and Bavarian Nordic, Inc. The receivable is not included in table above as it is eliminated in the consolidated financial statements.

Sensitivity analysis on exchange rates

The table below shows the net effect it would have had on equity and profit for the year if the year-end exchange rates of USD and EUR had been 15% or 1%, respectively, higher than the actual exchange rates. A corresponding fall in the actual exchange rates would have had an opposite (positive/negative) effect on profit and equity.

DKK thousand	Likely change in exchange rate	Hypothetical change in equity	Hypothetical change in profit
2015			
Change if higher USD-rate than actual rate	15%	32,027	89,111
Change if higher EUR-rate than actual rate	1%	197	(570)
2014			
Change if higher USD-rate than actual rate	15%	46,979	102,210
Change if higher EUR-rate than actual rate	1%	817	13

23 Financial risks and financial instruments – continued

Derivative financial instruments not designated as hedge accounting

Currency forward contracts and currency option contracts which are not designated as hedge accounting are classified as held for trading with fair value adjustments recognized in the income statement.

When the Group has temporary excess of USD, the USD are sold and repurchased at a lower USD rate, if possible, entering currency swaps in order to gain an interest.

The Group has no open currency contracts as per December 31, 2015.

The open currency contracts as per December 31, 2014 are specified as follows:

		2014	
DKK thousand	Residual maturity	Contract amount based on agreed rates	Fair value as of December 31
Currency option contracts			
Buy put option of USD 25 million (USD rate 5.80)	0-3 months	145,000	-
Sell call option of USD 10 million (USD rate 5.80)	0-3 months	58,000	(3,318)
Buy put option of USD 25 million (USD rate 5.90)	0-3 months	147,525	142
Sell call option of USD 10 million (USD rate 5.90)	0-3 months	59,010	(2,352)
Currency swap contracts			
Buy USD 25 million	0-3 months	148,476	4,818
Total			**(710)**

Cash risks

The Group´s bank deposits are placed in deposit accounts without restrictions. The Group's cash and cash equivalents totaled DKK 374.1 million as of December 31, 2015 (DKK 398.4 million).

The Group's fixed rate bond portfolio expires as shown below. Amounts are stated excluding interest.

	2015		2014	
DKK thousand	Fair value as of December 31	Effective interest	Fair value as of December 31	Effective interest
Bond portfolio				
Within 0-2 years	151,829	0.0%	64,396	-1.3%
Within 3-5 years	422,663	0.2%	378,151	0.4%
After 5 years	109,649	3.0%	138,803	3.1%
Total	**684,141**	**0.6%**	**581,350**	**1.0%**

Fluctuations in interest rate levels affect the Group's bond portfolio. An increase in the interest rate level by 1 percentage point relative to the interest rate level on the balance sheet date would have had a negative effect of DKK 5-6 million on the Group´s profit and equity (negative effect of DKK 4-5 million). A corresponding fall in the interest rate level would have had an equivalent positive effect on profit and equity.

23 Financial risks and financial instruments – continued

The Group's financial liabilities mature as shown below.
Amounts are stated including interest.

DKK thousand	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
2015				
Credit institutions	3,538	14,049	29,275	46,862
Trade payables	69,574	-	-	69,574
Other liabilities	112,332	-	-	112,332
Non-derivative financial liabilities	**185,444**	**14,049**	**29,275**	**228,768**
2014				
Credit institutions	3,548	14,091	32,771	50,410
Trade payables	58,666	-	-	58,666
Other liabilities	142,613	-	-	142,613
Non-derivative financial liabilities	**204,827**	**14,091**	**32,771**	**251,689**
Derivative financial liabilities	**710**	**-**	**-**	**710**

With respect to the Group´s mortgage debt, an increase in the applicable interest rate by 1 percentage point would have had a negative impact on the Group's profit and equity of DKK 0.3 million.
A corresponding fall in the interest rate would have had an equivalent positive impact.

In May 2015, the Group secured a loan facility of EUR 50 million (DKK 373 million) from the European Investment Bank (EIB) in support of the Group's research and development of vaccines against Ebola and other infectious diseases as well as cancer immunotherapies. The loan facility, which is unsecured, may be utilized in one or more tranches. Under the terms of the agreement, the Group will have up to 18 months to draw on these monies. The loan is a three to five year bullet loan and could potentially carry a fixed or variable interest payment. The margin associated with the loan facility is 3.26%. As of December 31, 2015 the balance remains unused.

The Group has a credit facility of DKK 20 million (DKK 20 million) at Nordea Denmark. As of December 31, 2015 DKK 0.3 million (DKK 9 million) of the credit facility is utilized for bank guarantees.

Credit risks
The primary credit risk relates to trade receivables. The Group´s customers are predominantly public authorities and renowned pharmaceutical companies, and the credit risk on the Group's receivables is therefore considered to be very low.

As of December 31, 2015 and December 31, 2014, none of the receivables were overdue.

Cash and cash equivalents are not deemed to be subject to any special credit risk as they are deposited with Nordea. The bond portfolio is invested in either Danish government bonds, Danish mortgage bonds or bonds issued by Danish banks with high ratings.

Optimization of capital structure
Management regularly assesses whether the Group´s capital structure best serves the interests of the Group and its shareholders. The overall goal is to ensure that the Group has a capital structure which supports its long-term growth target.

Fair value hierarchy for financial instruments measured at fair value

DKK thousand	Level 1	Level 2	Total
2015			
Securities	684,141	-	684,141
Financial assets measured at fair value in the income statement	**684,141**	**-**	**684,141**
2014			
Securities	581,350	-	581,350
Financial assets measured at fair value in the income statement	**581,350**	**-**	**581,350**
Derivative financial instruments at fair value in the income statement (currency)	-	(710)	(710)
Financial liabilities measured at fair value in the income statement	**-**	**(710)**	**(710)**

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 contract and currency swap contracts are valued according to generally accepted valuation methods based on relevant observable swap curves and exchange rates.

24 Provisions

Accounting policies

Provisions are recognized when the Group has an obligation as a result of events in the current or in previous financial years with a probability that the obligation will result in an outflow of the Group's financial resources.

Provisions are measured as the best estimate of the costs needed at the balance sheet date to settle obligations. Provisions also include contingent payments at the conclusion of agreements, contracts, etc. Contingent payments are measured at fair value calculated as the probability that the results, which trigger future payments, are achieved and a fixed discount factor. Where payment is subject to continuing employment with the Group, the provision is built up over the vesting period. Changes to the assessed fair value of the contingent payments due to changes in risk factors are recognized in administrative costs. Adjustment of net present value is recognized as a financial expense.

Significant accounting estimates

A management estimate is required on recognition of contingent payments related to incentive agreements. Management considers in the light of expectations for the coming year's research and development achievements the likelihood that expected results will trigger contingent payments. Contingent payments were DKK 25 million as of December 31, 2015 (DKK 22 million).

The estimates and assumptions applied are based on historical experience and other factors which Management considers relevant under the circumstances, but which are inherently incomplete and inaccurate at the time of presentation of the financial statements, and unexpected events or circumstances may arise. The Group is subject to risks and uncertainties which may have the effect that the actual outcomes may deviate from the estimates made.

DKK thousand	2015	2014
Provisions as of January 1	22,817	17,103
Additions during the year	7,169	6,001
Payments during the year	(4,190)	(287)
Provisions as of December 31	**25,796**	**22,817**
Long-term incentive agreements:		
Paul Chaplin	-	1,861
James B. Breitmeyer	-	2,291
Reiner Laus	25,226	18,057
Closure of Berlin facility	570	608
Provisions as of December 31	**25,796**	**22,817**

DKK thousand	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
2015	570	21,743	3,483	25,796
2014	4,214	16,202	2,401	22,817

The long-term incentive agreement entered into with Paul Chaplin in 2009 expired on December 31, 2015. The incentive scheme offered one-off payments ranging from EUR 150,000 up to EUR 1.5 million. During 2015 Paul Chaplin received EUR 250,000 under the incentive agreement.

In connection with the appointment of James B. Breitmeyer in 2013 a long-term incentive agreement was signed. At James B. Breitmeyers resignation in July 2015 the incentive scheme expired. The incentive scheme offered one-off payments ranging from USD 300.000 up to USD 1 million. The one-off payments were subject to achievement of various potential future milestones in relation to PROSTVAC and were furthermore conditional upon continuing employment with the Group at the time of the achievement of the respective milestone event. During 2015 James B. Brietmeyer received USD 450,000 under the incentive agreement.

As part of an agreement entered into between the Company and the former Division President for Cancer Immunotherapy Reiner Laus regarding the Company's purchase of his shares in Bavarian Nordic, Inc. (formerly BN ImmunoTherapeutics, Inc.) in December 2009, Reiner Laus is entitled to receive a consideration triggered upon successful achievement of certain predefined milestones related to PROSTVAC. In addition, a separate agreement regarding cancellation of certain contractual rights for Reiner Laus' sale of shares in Bavarian Nordic, Inc. entitles Reiner Laus to a consideration upon successful achievement of certain pre-defined milestones related to PROSTVAC.

The total outstanding consideration to Reiner Laus amounts to a maximum of DKK 62 million (DKK 55 million). The risk-adjusted net present value amounts to DKK 25 million (DKK 18 million). The agreement remains unchanged after Reiner Laus' resignation.

In December 2012 Management decided to discontinue the Group's operations at the facility in Berlin. The Group still have a provision of DKK 0.6 million for repayment of some investment grants received from the German authorities, as Bavarian Nordic GmbH no longer meets all the criteria for receipt of the grants already disbursed.

25 Debt to credit institutions

Accounting policies

Mortgage loans are measured at the time of borrowing at fair value less any transaction costs. Subsequently, mortgage debt is measured at amortized cost. This means that the difference between the proceeds of the loan and the amount to be repaid is recognized in the income statement over the term of the loan as a financial expense using the effective interest method.

DKK thousand	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
2015				
Mortgage[1)]	653	2,900	15,867	19,420
Mortgage[2)]	1,316	5,901	6,656	13,873
Total	**1,969**	**8,801**	**22,523**	**33,293**
2014				
Mortgage[1)]	626	2,782	16,638	20,046
Mortgage[2)]	1,259	5,640	8,233	15,132
Total	**1,885**	**8,422**	**24,871**	**35,178**

[1)] Fixed interest 4.1684% - expiry 2035

[2)] Fixed interest 4.5352% - expiry 2024

The fair value of the debt amounts to DKK 37 million (DKK 38 million) based on the market value of the underlying bonds (level 2 in the fair value hierarchy).

26 Prepayment from customers

Accounting policies

Advance payments are recognized under liabilities and will be recognized in the income statement as the delivery of paid products takes place.

DKK thousand	2015	2014
Prepayment from customers as of January 1	375,190	150,425
Prepayments received during the year	631,158	458,857
Repaid during the year	(21,135)	-
Recognized as income during the year	(579,424)	(234,092)
Prepayment from customers as of December 31	**405,789**	**375,190**

In March 2015, the Company signed an agreement that provides Bristol-Myers Squibb (BMS) an exclusive option to license and commercialize PROSTVAC. At signing the Company received an upfront option grant payment of DKK 399 million ($60 million). The upfront payment has been recognized as a prepayment from customers and will be recognized as revenue if and when BMS exercises the option (or if the option expires unexercised).

In October 2014, the Company entered into a global license and supply agreement for the MVA-BN Filovirus (Ebola and Marburg) vaccine candidate with Crucell Holland B.V. Under this contract the Company received a prepayment of DKK 356 million in 2014 and a further prepayment of DKK 229 million in January 2015 relating to the Bulk Drug Substance (BDS) product that have been delivered to Crucell during 2015. The prepayments have been recognized as revenue in 2015 along with the delivery of the BDS product. It was agreed by the parties not to deliver the last two BDS batches and therefore DKK 21 million has been repaid to Crucell.

In April 2013, the Company received an order from the U.S. Government for the delivery of up to 8 million doses of IMVAMUNE. The Company received a total prepayment of DKK 158 million relating to the delivery of the first 4 million doses. The delivery of these doses was completed in the first half of 2014. In September 2014, the Company received the order for the last 4 million doses, following a prepayment of DKK 99 million. The delivery was completed in January 2015 and all prepayments have been recognized as revenue.

In 2012 the FDA requested to expand the largest Phase 3 study of IMVAMUNE by an additional 1,000 subjects, bringing the total enrollment in the study to 4,000 patients. The Company has received funding of $25 million from U.S. Government to cover the additional costs of the expansion of the study. The funding was disbursed by way of four seperate payments received in 2012 and 2013. The payments are recognized as revenue in concurrence with the recognition of the cost of the Phase 3 study. 25% of the Phase 3 costs are being expensed while the remaining 75% is being capitalized as IMVAMUNE/IMVANEX development project as described in note 15. The split between expensing (25%) and capitalizing (75%) is based on the original number of subjects in the Phase 3 study (3,000) and the increased number of subjects (4,000). There is no repayment obligation. As of December 31, 2015 the Phase 3 study has completed and the prepayment has been recognized as revenue.

In 2012 the Company was contracted by the U.S. Government to complete a study covering the possible long-term storage of frozen Bulk Drug Substance (BDS), including collection of long-term stability data on frozen BDS. The contract runs until 2019 and has a total value of USD 5 million, which is being paid out in 6 seperate payments. In 2015 the Company received one payment of DKK 3 million. The payments are recognized as revenue in concurrence with recognition of the cost of the study. As of December 31, 2015, recognition of DKK 7 million in revenue is outstanding. There is no repayment obligation.

27 Related party transactions

The Group Management and Board of Directors of Bavarian Nordic A/S are considered related parties.

Besides the remuneration of the board of directors and the Group Management, cf. note 8 and note 24, and the share-based payments, cf. note 28, there are no transactions with related parties.

Transactions with subsidiaries are eliminated in the consolidated financial statements, in accordance with the accounting policies.

28 Share-based payment

Accounting policies

Share-based incentive plans in which employees can only opt to buy shares in the Company (warrants) are measured at the equity instruments' fair value at the grant date and recognized in the income statement over the vesting period. The balancing item is recognized directly in equity. The fair value on the date of grant is determined using the Black-Scholes model.

Cash-based incentive programs in which employees can have the difference between the agreed exercise price and the actual share price settled in cash (phantom shares) are measured at fair value at the date of grant and recognized in the income statement over the period when the final right of cash-settlement is obtained. Granted rights are subsequently re-measured on each balance sheet date and upon final settlement, and any changes in the fair value of the programs are recognized in the income statement. The balancing item is recognized under other liabilities.

The fair value of the cash-based incentive programs is determined using the Black-Scholes model.

Incentive plans

In order to motivate and retain key employees and encourage the achievement of common goals for employees, management and shareholders, the Company has established an incentive plan by way of warrant plans. Furthermore, the Company has established three-year phantom share programs for all employees of the Group.

Warrants

The Board of Directors has been granting warrants to the Company´s management and selected employees of the Company and its subsidiaries. Up until 2013, the Company´s Board of Directors were also granted warrants, but in 2014 it was decided to change the remuneration structure for the Board of Directors.

The warrants are granted in accordance with the authorizations given to the Board of Directors by the shareholders. The Board of Directors has fixed the terms of and the size of the grants of warrants, taking into account authorizations from the shareholders, the Group's guidelines for incentive pay, an assessment of expectations of the recipient´s work efforts and contribution to the Group's growth, as well as the need to motivate and retain the recipient. Grant takes place on the date of establishment of the program. Exercise of warrants is by default subject to continuing employment with the Group. The warrants granted are subject to the provisions of the Danish Public Companies Act regarding termination of employees prior to their exercise of warrants in the case of recipients who are subject to the act.

28 Share-based payment – continued

Outstanding warrant plans

The exercise price and exercise periods for the individual grants are stated in the tables below.

2015

Program	Outstanding as of January 1	Additions	Exercised	Annulled	Terminated	Outstanding as of December 31	Can be exercised as of December 31	Average exercise price (DKK)
August 2010	21,543	-	(21,543)		-	-	-	192
December 2010	45,103	-	(43,084)		(2,019)	-	-	194
August 2011	130,500	-	(115,500)		-	15,000	15,000	54
May 2012	48,500	-	(18,500)		-	30,000	30,000	54
August 2012	386,025	-	(149,797)	(2,725)	-	233,503	233,503	59
February 2013	50,000	-	-	(10,000)	-	40,000	-	55
August 2013	469,550	-	-	(25,950)	-	443,600	-	74
December 2013	70,000	-	-		-	70,000	-	97
August 2014	497,500	-	-	(40,000)	-	457,500	-	131
December 2015	-	335,002	-	-	-	335,002	-	367
Total	**1,718,721**	**335,002**	**(348,424)**	**(78,675)**	**(2,019)**	**1,624,605**	**278,503**	

2015

	Outstanding as of January 1	Additions	Exercised	Annulled	Terminated	Transferred	Outstanding as of December 31
Board of Directors	65,000	-	(15,000)	-	-	-	50,000
Corporate Management	250,000	69,802	(50,000)	-	-	-	269,802
Other Group Management	120,000	-	-	(60,000)	-	(60,000)	-
Other employees	1,028,550	265,200	(88,906)	(18,675)	-	(308,969)	877,200
Resigned employees	255,171	-	(194,518)	-	(2,019)	368,969	427,603
Total	**1,718,721**	**335,002**	**(348,424)**	**(78,675)**	**(2,019)**	**-**	**1,624,605**
Weighted average exercise price	**90**	**367**	**82**	**100**	**194**	**-**	**148**
Weighted average share price at exercise			**316**				
Number of warrants which can be exercised as of December 31, 2015							278,503
at a weighted average exercise price of DKK							58

2014

Board of Directors	142,749	-	(9,000)	-	(47,016)	(21,733)	65,000
Corporate Management	169,049	90,000	-	-	(52,316)	43,267	250,000
Other Group Management	328,572	40,000	-	-	(68,373)	(180,199)	120,000
Other employees	1,290,927	375,000	(144,400)	(144,777)	(285,033)	(63,167)	1,028,550
Resigned employees	341,620	-	(91,502)	-	(216,779)	221,832	255,171
Total	**2,272,917**	**505,000**	**(244,902)**	**(144,777)**	**(669,517)**	**-**	**1,718,721**
Weighted average exercise price	**99**	**131**	**59**	**91**	**161**	**-**	**90**
Weighted average share price at exercise			**172**				
Number of warrants which can be exercised as of December 31, 2014							197,146
at a weighted average exercise price of DKK							101

28 Share-based payment – continued

Specification of parameters for Black-Scholes model

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

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

The expected volatility is based on the historical volatility.

Recognized costs in 2015 DKK 9.3 million compared to DKK 6.9 million in 2014.

Exercise periods

Program	Can be exercised wholly or partly in a period of 14 days commencing from the day of publication of			
December 2015	Annual Report 2018 Annual Report 2019	Interim Report Q1 2019 Interim Report Q1 2020	Interim Report Q2 2019 Interim Report Q2 2020	Interim Report Q3 2019 Interim Report Q3 2020
August 2014	Interim Report Q3 2017 Interim Report Q3 2018	Annual Report 2017 Annual Report 2018	Interim Report Q1 2018 Interim Report Q1 2019	Interim Report Q2 2018 Interim Report Q2 2019
December 2013	Annual Report 2016	Interim Report Q2 2017	Annual Report 2017	Interim Report Q2 2018
August 2013	Interim Report Q3 2016	Interim Report Q1 2017	Interim Report Q3 2017	Interim Report Q1 2018
February 2013	Annual Report 2015	Interim Report Q2 2016	Annual Report 2016	Interim Report Q2 2017
August 2012	Interim Report Q3 2015	Interim Report Q1 2016	Interim Report Q3 2016	Interim Report Q1 2017
May 2012	Interim Report Q2 2015	Annual Report 2015	Interim Report Q2 2016	Annual Report 2016
August 2011	Interim Report Q3 2014	Interim Report Q1 2015	Interim Report Q3 2015	Interim Report Q1 2016

Phantom shares

In January 2015 the 2012-2014 phantom share program was exercised.

In 2013, the Company established a three-year phantom share program covering all employees in the Group. The employees receive up to six phantom shares per month free of charge during the period from January 1, 2014 to December 31, 2016. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 216 phantom shares.

In 2014, the Company established a three-year phantom share program covering all employees in the Group. The employees receive up to six phantom shares per month free of charge during the period from January 1, 2015 to December 31, 2017. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 216 phantom shares.

In 2015, the Company established a three-year phantom share program covering all employees in the Group. The employees receive up to six phantom shares per month free of charge during the period from January 1, 2016 to December 31, 2018. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 216 phantom shares.

Grants are made on a monthly basis during the life of the programs as long as the employee is employed with the Group.

On expiry of the programs, the employees may exercise the phantom shares granted to them and thus be entitled to a cash bonus calculated on the basis of the increase in the price of the Company´s shares. The exercise under the 2012-2014 program and the 2014-2016 program is conditional on the price of the Company´s shares being at least 10% higher than the exercise price at the time of exercise. The exercise under the 2015-2017 program and the 2016-

28 Share-based payment – continued

2018 is conditional on the price of the Company´s shares being at least DKK 5 higher than the exercise price at the time of exercise.

On expiry of the programs, former employees are entitled to settlement of the phantom shares granted during their term of employment.

2015-2017 program	2015
Outstanding as of January 1	-
Granted during the year	29,140
Outstanding phantom shares as of December 31	**29,140**
Liability in DKK thousand as of December 31	**5,110**
Specification of parameters for Black-Scholes model	
Share price December 31	358
Average share exercise price	212
Expected volatility rate	54%
Expected life (years)	2.0
Expected dividend per share	-
Risk-free interest rate p.a.	0.20%

The expected volatility is based on the historic volatility.

The expense in respect of phantom shares granted in 2015 provided a cost of DKK 5.1 million.

The liability is included in other liabilities, cf. note 22.

2014-2016 program	2015	2014
Outstanding as of January 1	29,836	-
Granted during the year	29,010	29,836
Outstanding phantom shares as of December 31	**58,846**	**29,836**
Liability in DKK thousand as of December 31	**15,380**	**3,221**
Specification of parameters for Black-Scholes model		
Share price December 31	358	198
Average share exercise price	97	97
Expected volatility rate	54%	49%
Expected life (years)	1.0	2.0
Expected dividend per share	-	-
Risk-free interest rate p.a.	0.12%	-0.06%

The expected volatility is based on the historic volatility.

The expense in respect of phantom shares granted in 2015 and revaluation of previously granted phantom shares provided a cost of DKK 12.2 million (DKK 3.2 million).

The liability is included in other liabilities, cf. note 22.

2012-2014 program	2015	2014	2013	2012
Outstanding as of January 1	91,686	62,512	31,370	-
Granted during the year	-	29,174	31,142	31,370
Exercised during the year	(85,516)	-	-	-
Expired during the year	(6,170)	-	-	-
Outstanding phantom shares as of December 31	**-**	**91,686**	**62,512**	**31,370**
Liability in DKK thousand as of December 31	**-**	**13,955**	**2,747**	**489**
Specification of parameters for Black-Scholes model				
Share price December 31	198	89	50	
Average share exercise price	45	45	45	
Expected volatility rate	-	36%	51%	
Expected life (years)	-	1.0	2.0	
Expected dividend per share	-	-	-	
Risk-free interest rate p.a.	-	-0.02%	-0.17%	

The 2012-2014 program was exercised January 2015 at a share price of DKK 211.50.

Revaluation of granted phantom shares and reversal of not exercised phantom shares provided a net cost of DKK 0.2 million (DKK 11.2 million related to granted phantom shares in 2014 and revaluation of previously granted phantom shares).

29 Contingent liabilities and other contractual obligations

DKK thousand	2015	2014
In 2014 and 2015 the Group received prepayments from Crucell under the license and supply agreement, cf. note 26. Those prepayments will have to be repaid in the event of breach of contract. All obligations under this agreement have been fulfilled in 2015, therefore no repayment obligation exists as of December 31, 2015	-	367,284
Income recognition of part of prepayment, cf. note 26, with repayment obligation in the event of breach of the replenishment contract with the U.S. Government. The replenishment contract was fulfilled in January 2015, threrefore no repayment obligation exists as of December 31, 2015	-	99,725
In 2010 the Group received a performance-based milestone payment of $25 million under the RFP-3 contract. The milestone payment has been recognized as revenue in 2010-2012 in concurrence with delivery of the initial 20 million dose order. The RFP-3 contract has a reimbursement clause in the event that the Group does not comply with the terms of the contract. Management considers it highly unlikely that this will occur	170,750	153,035
Operational leasing		
Leasing obligations for cars and office equipment.		
The operational leasing agreements are irrevocable up to 54 months.		
- Due within 1 year	1,567	1,525
- Due between 1 and 5 years	1,473	2,091
Minimum leasing cost recognized in net profit for the year	1,564	2,173
Rental commitments		
Rental agreements for laboratory and offices facilities.		
The rental agreements are irrevocable from 15 to 70 months.		
- Due within 1 year	14,464	19,132
- Due between 1 and 5 years	55,637	32,968
- Due after 5 years	4,577	-
Minimum rental cost recognized in net profit for the year	17,598	18,893
Collaborative agreements		
Contractual obligations with research partners for long-term research projects.		
- Due within 1 year	48,712	13,423
- Due between 1 and 5 years	144,113	55,705
- Due after 5 years	-	12,243

The Group has license agreements with the National Cancer Institute (NCI) and Public Health Service (PHS) in the U.S. for PROSTVAC, CV 301 and brachyury, respectively. The agreements include contingent liabilities for the Group to pay performance-based royalties, if and when certain milestone events are achieved. Further, the agreements include potential contingent liabilities for the Group to pay additional sublicensing royalties on the fair market value of consideration received, if and when the Group grants such sublicenses. Payments considered remote are not included in the amounts above.

If and when Bristol-Myers Squibb exercises the option under the Option and License Agreement for PROSTVAC from March 2015, the Group will receive $80 million, and the National Cancer Institute (NCI) has a right to 10% of this payment, i.e. $8 million (included in the amounts above).

Other contractual obligations		
Other obligations include among other things security services and IT licenses.		
- Due within 1 year	8,126	27,522
- Due between 1 and 5 years	-	180

29 Contingent liabilities and other contractual obligations – continued

The PROSPECT study

Bavarian Nordic, Inc. has signed a contract with PPD Development, LP regarding implementation/management of the PROSPECT study. Bavarian Nordic, Inc. may terminate the contract with one month's notice. Upon termination of the contract before the study has been completed Bavarian Nordic, Inc. shall reimburse PPD Development, LP for all non-cancelable obligations to third parties as well as any obligations agreed on for the purpose of winding down the study.

Incentive agreements

The total outstanding consideration regarding incentive agreements with Reiner Laus amounts to a maximum of DKK 62 million. As per December 31, 2015 the provision amounts to DKK 25 million. For further description of the incentive agreement see note 24.

Company mortgage

The Company has by letter of indemnity (DKK 150 million) granted Nordea Bank Denmark a floating charge on unsecured claims arising from the sale of goods and services and stocks of raw materials, intermediate products and finished products. The floating charge secures the operating credit line of DKK 20 million. In addition, the floating charge secures the line for trading in financial instruments (DKK 50 million).

Lawsuits

Based on management's assessment the Group is not involved in any lawsuits or arbitration cases which could have a material impact on the Group's financial position or results of operations.

30 Significant events after the balance sheet date

No significant events of importance to the consolidated financial statements have occured since December 31, 2015.

31 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and Corporate Management and authorized for issue on March 7, 2016.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

Notes

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

DKK thousand	Note	2015	2014
Revenue		1,020,561	1,216,815
Production costs	3,4	414,664	495,081
Gross profit		**605,897**	**721,734**
Research and development costs	2,3,4	363,225	469,206
Distribution costs	3	43,408	46,005
Administrative costs	3,4	186,379	169,060
Total operating costs		**593,012**	**684,271**
Income before interest and tax (EBIT)		**12,885**	**37,463**
Income from investments in subsidiaries	10	6,521	6,586
Financial income	5	111,362	68,723
Financial expenses	6	24,659	10,877
Income before company tax		**106,109**	**101,895**
Tax on income for the year	7	14,019	36,335
Net profit for the year		**92,090**	**65,560**
Proposed appropriation of net profit:			
Retained earnings		**92,090**	**65,560**

Notes with reference to the consolidated financial statements	**Note**
Revenue	3
Production costs	4
Distribution costs	6
Administrative costs	7

STATEMENTS OF FINANCIAL POSITION – ASSETS AS OF DECEMBER 31, 2015 AND 2014

DKK thousand	Note	2015	2014
Non-current assets			
Acquired patents and licenses		-	110,852
Software		2,863	4,804
IMVAMUNE/IMVANEX development project		100,500	78,357
Other intangible assets in progress		4,495	1,283
Intangible assets	8	**107,858**	**195,296**
Land and buildings		217,998	225,454
Leasehold improvements		401	543
Plant and machinery		53,562	64,606
Other fixtures and fittings, other plant and equipment		14,452	16,013
Assets under construction		33,450	23,395
Property, plant and equipment	9	**319,863**	**330,011**
Investments in subsidiaries	10	90,677	83,812
Receivables from subsidiaries	10	303,216	345,512
Other receivables		655	559
Financial assets		**394,548**	**429,883**
Deferred tax assets	7	**150,126**	**121,570**
Total non-current assets		**972,395**	**1,076,760**
Current assets			
Development projects for sale	11	**257,514**	**-**
Inventories	12	**90,316**	**121,336**
Trade receivables		137,927	186,783
Receivables from subsidiaries		72,910	-
Tax receivables		4,174	3,429
Other receivables		16,188	14,017
Prepayments		18,381	2,951
Receivables		**249,580**	**207,180**
Securities		684,141	581,350
Cash and cash equivalents		361,789	378,621
Securities, cash and cash equivalents		**1,045,930**	**959,971**
Total current assets		**1,643,340**	**1,288,487**
Total assets		**2,615,735**	**2,365,247**

STATEMENTS OF FINANCIAL POSITION – EQUITY AND LIABILITIES AS OF DECEMBER 31, 2015 AND 2014

DKK thousand	Note	2015	2014
Equity			
Share capital		280,197	276,712
Retained earnings		1,586,245	1,422,443
Other reserves		69,280	38,246
Equity		**1,935,722**	**1,737,401**
Provisions	14	**25,226**	**22,209**
Liabilities			
Credit institutions		31,324	33,293
Non-current liabilities		**31,324**	**33,293**
Credit institutions		1,969	1,885
Prepayment from customers		405,789	375,190
Trade payables		50,525	46,740
Payables to subsidiaries		92,089	82,159
Other liabilities	13	73,091	66,370
Current liabilities		**623,463**	**572,344**
Total liabilities		**654,787**	**605,637**
Total equity and liabilities		**2,615,735**	**2,365,247**

Significant accounting policies and significant accounting estimates, assumptions and uncertainties	1
Related party transactions	15
Lease and rent commitments	16
Contingent liabilities and other contractual obligations	17
Mortgages and collateral	18
Significant events after the balance sheet date	19

Notes with reference to the consolidated financial statements	**Note**
Trade receivables	19
Prepayments	21
Financial risks and financial instruments	23
Credit institutions	25
Prepayment from customers	26
Share-based payment	28

STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2015

DKK thousand	Share capital	Retained earnings	Other reserves	Equity
Equity as of January 1, 2015	276,712	1,422,443	38,246	1,737,401
Net profit for the year	-	92,090	-	92,090
Exchange rate adjustments	-	344	-	344
Share-based payment	-	-	9,287	9,287
Warrant program exercised	3,485	34,816	(9,706)	28,595
Warrant recharged	-	36,557		36,557
Warrant program expired	-	136	(136)	-
Costs related to issue of new shares	-	(141)	-	(141)
Tax related to items recognized directly in equity	-	-	31,589	31,589
Equity as of December 31, 2015	**280,197**	**1,586,245**	**69,280**	**1,935,722**

Transactions on the share capital and rules on changing Articles of Associations, see statement of changes in Group equity.

Other reserves consist of costs for share-based payments.

1 Significant accounting policies and significant accounting estimates, assumptions and uncertainties

Accounting policies

The financial statements of the Parent Company Bavarian Nordic A/S have been prepared in accordance with the Danish Financial Statements Act (Class D) and other accounting regulations for companies listed on Nasdaq Copenhagen.

The financial statements are presented in Danish kroner (DKK), which also is the functional currency of the Company. The accounting policies are unchanged from previous year.

The accounting policies have been consistently applied for the financial year and for the comparative figures.

The accounting policies are the same as for the consolidated financial statements with the following additions. See description of the accounting policies in the consolidated financial statements.

In the narrative sections of the financial statements comparative figures for 2014 are shown in brackets.

Supplementary accounting policies for the parent company

Accounting policies for investments in subsidiaries are described in note 10.

Pursuant to the schedule requirements of the Danish Financial Statements Act, entries recognized in the statement of comprehensive income in the consolidated financial statements are recognized directly in the statement of changes in equity in the parent company's financial statements.

As allowed under section 86 (4) of the Danish Financial Statements Act, no cash flow statement has been prepared for the parent company, as it is included in the consolidated cash flow statement.

2 Research and development costs

Accounting policies

See consolidated financial statements note 5.

DKK thousand	2015	2014
Research and development costs incurred this year	494,046	562,281
Of which:		
Contract costs recognized as production costs	(108,678)	(91,673)
Capitalized development costs (note 8)	(24,837)	(46,937)
	360,531	423,671
Amortization of prior-year costs attributable to the IMVAMUNE/IMVANEX development project (note 8)	2,694	45,535
Research and development costs recognized in the income statement	**363,225**	**469,206**

3 Staff costs

Accounting policies

See consolidated financial statements note 8.

DKK thousand	2015	2014
Wages and salaries	170,416	154,006
Contribution based pension	14,824	13,162
Social security expenses	1,707	1,653
Other staff expenses	14,720	14,457
Share-based payment	20,693	21,317
Staff costs	**222,360**	**204,595**
Staff expenses are distributed as follows:		
Production costs	128,351	118,497
Research and development costs	20,532	15,636
Distribution costs	12,866	10,309
Administrative costs	60,496	59,805
Capitalized salaries	115	348
Staff costs	**222,360**	**204,595**
Average number of employees converted to full-time	261	240
Number of employees as of December 31 converted to full-time	266	238

The Corporate Management consists of CEO and President of the Company Paul Chaplin and CFO Ole Larsen.

Remuneration to Corporate Management and the Board of Directors is diclosed in the consolidated financial statements note 8.

Incentive programs for management and other employees are disclosed in the consolidated financial statements note 28.

The CEO's contract of employment contains standard terms for members of the management of Danish listed companies, including the extended period of notice that both parties are required to give. For the Company, the notice is maximum 18 months. In the event of a change of control, the term of notice for the Company will be extended to maximum 24 months.

The CFO's contract of employment contains standard terms for members of the management of Danish listed companies, including the extended period of notice that both parties are required to give. For the Company, the notice is maximum 12 months. In the event of a change of control, the term of notice for the Company will be extended to maximum 24 months.

4 Depreciation and amortization

DKK thousand	2015	2014
Depreciation and amortization included in:		
Production costs	36,271	33,921
Research and development costs	1,033	1,134
Administrative costs	3,269	14,022
Depreciation and amortization	**40,573**	**49,077**
Hereof profit ()/loss from disposed fixed assets	-	86

5 Financial income

Accounting policies

See consolidated financial statements note 11.

DKK thousand	2015	2014
Financial income from bank and deposit contracts	38	11
Financial income from subsidiaries	11,599	11,709
Financial income from securities	14,959	4,028
Net gain on derivative financial instruments at fair value in the income statement	17,402	-
Net foreign exchange gains	67,364	52,975
Financial income	**111,362**	**68,723**

6 Financial expenses

Accounting policies

See consolidated financial statements note 12.

DKK thousand	2015	2014
Interest expenses on debt	2,672	4,101
Financial expenses to subsidiaries	1,381	1,253
Fair value adjustments on securities	16,749	1,703
Adjustment of net present value of provisions	3,857	2,098
Net loss on derivative financial instruments at fair value in the income statement	-	1,722
Financial expenses	**24,659**	**10,877**

7 Tax for the year

Accounting policies and significant accounting estimates

See consolidated financial statements note 13.

DKK thousand	2015	2014
Tax recognized in the income statement		
Current tax on profit for the year	10,997	14,026
Current tax on profit for previous years	(11)	999
Currrent tax	**10,986**	**15,025**
Change in deferred tax	7,077	13,809
Adjustment of deferred tax due to change in estimates of timing	(4,055)	7,473
Adjustments to deferred tax for previous years	11	28
Deferred tax	**3,033**	**21,310**
Tax for the year recognized in the income statement	**14,019**	**36,335**
Tax on income for the year is explained as follows:		
Income before company tax	106,109	101,895
Calculated tax (23.5%/24.5%) on income before company tax	24,936	24,964
Tax effect on:		
Income from investments in subsidiaries	(1,532)	(1,614)
Permanent differences	(5,330)	4,485
Current tax on profit for previous years	(11)	999
Adjustment of deferred tax due to change in estimates of timing	(4,055)	7,473
Adjustments to deferred tax for previous years	11	28
Tax on income for the year	**14,019**	**36,335**
Tax recognized in equity		
Tax on share based payment	(31,589)	(19,271)
Tax for the year recognized in equity	**(31,589)**	**(19,271)**

7 Tax for the year – continued

Deferred tax

Recognized deferred tax assets relates to temporary differences between valuations for accounting and taxation purposes and tax losses carried forward:

DKK thousand	January 1, 2015	Recognized in the income statement	Recognized in equity	December 31, 2015
Intangible assets	(4,194)	(2,774)	-	(6,968)
Property, plant and equipment	991	(257)	-	734
Development projects for sale	-	(44,708)		(44,708)
Inventories	(1)	1	-	-
Accrued project costs	70	(218)	-	(148)
Obligations	804	156	-	960
Prepayment from customers	38,129	51,145	-	89,274
Share-based payment	24,565	2,056	31,589	58,210
Tax losses carried forward	61,206	(8,434)	-	52,772
Recognized deferred tax assets	**121,570**	**(3,033)**	**31,589**	**150,126**

For further disclosures see the consolidated financial statements note 13.

8 Intangible assets

Accounting policies and significant accounting estimates

See consolidated financial statements note 15.

2015

DKK thousand	Acquired patents and licenses	Software	IMVAMUNE/ IMVANEX development project	Other Intangible assets in progress	Total
Costs as of January 1, 2015	145,429	55,876	78,357	1,283	280,945
Additions	-	220	24,837	3,212	28,269
Expensed (amortized) related to sale of development results	-	-	(2,694)	-	(2,694)
Reclassification to development projects for sale	(138,565)	-	-	-	(138,565)
Cost as of December 31, 2015	**6,864**	**56,096**	**100,500**	**4,495**	**167,955**
Amortization as of January 1, 2015	34,577	51,072	-	-	85,649
Amortization	-	2,161	-	-	2,161
Reclassification to development projects for sale	(27,713)	-	-	-	(27,713)
Amortization as of December 31, 2015	**6,864**	**53,233**	**-**	**-**	**60,097**
Carrying amount as of December 31, 2015	**-**	**2,863**	**100,500**	**4,495**	**107,858**
Carrying amount as of December 31, 2014	**110,852**	**4,804**	**78,357**	**1,283**	**195,296**

IMVAMUNE/IMVANEX development project include development costs related to the registration of IMVAMUNE/IMVANEX under the RFP-3 contract.

Reclassification of acquired licenses is explained in note 17 in the consolidated financial statements.

9 Property, plant and equipment

Accounting policies and significant accounting estimates
See consolidated financial statements note 16.

2015

DKK thousand	Land and buildings	Leasehold improve-ment	Plant and machinery	Other fixtures and fittings, other plant and equipment	Assets under construction	Total
Costs as of January 1, 2015	303,455	2,182	248,962	32,908	23,395	610,902
Additions	1,070	-	1,561	1,955	23,678	28,264
Transfer	6,801	-	6,768	54	(13,623)	-
Disposals	-	-	-	(69)	-	(69)
Cost as of December 31, 2015	**311,326**	**2,182**	**257,291**	**34,848**	**33,450**	**639,097**
Depreciation as of January 1, 2015	78,001	1,639	184,356	16,895	-	280,891
Depreciation	15,327	142	19,373	3,570	-	38,412
Disposals	-	-	-	(69)	-	(69)
Depreciation as of December 31, 2015	**93,328**	**1,781**	**203,729**	**20,396**	**-**	**319,234**
Carrying amount as of December 31, 2015	**217,998**	**401**	**53,562**	**14,452**	**33,450**	**319,863**
Carrying amount as of December 31, 2014	**225,454**	**543**	**64,606**	**16,013**	**23,395**	**330,011**

Property, plant and equipment under construction mainly includes investment in equipment and a small scale filling line.

For collateral see the consolidated financial statements note 16.

10 Investment in subsidiaries

Accounting policies
Investments in subsidiaries are recognized and measured under the equity method. This means that, in the balance sheet, investments are measured at the pro rata share of the subsidiaries' equity plus or less unamortized positive, or negative, goodwill and plus or less unrealized intra-group profits or losses.

Subsidiaries with a negative equity value are measured at zero value, and any receivables from these subsidiaries are written down by the Company's share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognized under provisions if the Company has a legal or constructive obligation to cover the liabilities of the relevant subsidiary.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries is transferred to the net revaluation reserve according to the equity method under equity, if the net revaluation is positive. If the net revaluation is negative, it is recognized in retained earnings in equity.

Goodwill is calculated as the difference between cost of the investments and the fair value of the assets and liabilities acquired which have been measured at fair value at the date of acquisition. The amortization period for goodwill is usually five years.

Investments in subsidiaries are written down to the lower of recoverable amount and carrying amount.

Income from investments in subsidiaries' contains pro rata share of subsidiaries profits or losses after elimination of unrealized intra-group profits and losses.

Significant accounting estimates
As of December 31, 2015, Bavarian Nordic, Inc. had a negative equity of DKK 384 million (DKK 374 million), and the Parent Company's receivable from Bavarian Nordic, Inc. was DKK 376 million (DKK 346 million). In such a situation, Management estimates whether there are any events or other circumstances that indicate that the receivable may not be recoverable. Based on the currently expected future cash flows from the sale of PROSTVAC, Management estimates that the entire amount can be repaid over a number of years. For this reason, Management believes that there is no need for a write-down of the receivable.

DKK 73 million was repaid in January 2016 and therefore recognized as a current asset as of December 31, 2015. The remaining receivable is recognized as a long-term receivable.

10 Investment in subsidiaries – continued

2015

DKK thousand	Investments in subsidiaries	Receivables from subsidiaries
Costs as of January 1, 2015	186,609	345,512
Additions	-	(9,382)
Reclassified to current asset	-	(72,910)
Exchange rate adjustments	-	39,996
Cost as of December 31, 2015	**186,609**	**303,216**
Net revaluation as of January 1, 2015	(102,797)	-
Net share of profit/loss for the year	6,521	-
Exchange rate adjustments	344	-
Net revaluation as of December 31, 2015	**(95,932)**	**-**
Carrying amount as of December 31, 2015	**90,677**	**303,216**
Carrying amount as of December 31, 2014	**83,812**	**345,512**

Company summary	Domicile	Owner-ship	Voting rights
Subsidiaries			
Bavarian Nordic GmbH	Germany	100%	100%
Bavarian Nordic, Inc.	USA	100%	100%
Aktieselskabet af 1. juni 2011 I	Denmark	100%	100%
BN Washington D.C. Holding A/S	Denmark	100%	100%
Bavarian Nordic Washington DC, Inc.	USA	100%	100%
Representative office			
Bavarian Nordic A/S	Singapore		

11 Development projects for sale

Accounting policies
See consolidated financial statements note 17.

DKK thousand	2015	2014
Reclassified from intangible assets (note 8)	110,852	-
Royalty payments	146,662	-
Development projects for sale	**257,514**	**-**

In 2011, Bavarian Nordic A/S and Bavarian Nordic, Inc. (formerly BN ImmunoTherapeutics, Inc.) signed a sub-license agreement that transfer the right to use PROSTVAC to Bavarian Nordic A/S. Under the agreement Bavarian Nordic A/S had to pay an upfront of $25 million (DKK 139 million) as well as future royalty payments when income from sales of PROSTVAC are obtained. The upfront payment was recognized as an intangible asset and amortized over 15 years. In 2015 the asset has been reclassified to "Development projects for sale", see explanation in consolidated financial statements note 17.

According to the sub-license agreement Bavarian Nordic A/S paid $22 million (DKK 147 million) to Bavarian Nordic, Inc. in March 2015 upon receipt of the upfront option payment from Bristol-Myers Squibb.

12 Inventories

Accounting policies and significant accounting estimates
See consolidated financial statements note 18.

DKK thousand	2015	2014
Raw materials and supply materials	31,099	21,165
Work in progress	135,589	115,313
Manufactured goods and commodities	13,517	30,749
Write-down on inventory	(89,889)	(45,891)
Inventories	**90,316**	**121,336**
Write-down on inventory as of January 1	(45,891)	(68,530)
Write-down for the year	(46,733)	(490)
Use of write-down	2,735	11,039
Reversal of write-down	-	12,090
Write-down on inventory as of December 31	**(89,889)**	**(45,891)**
Cost of goods sold amounts to	191,720	411,112

13 Other liabilities

Accounting policies
See consolidated financial statements note 22.

DKK thousand	2015	2014
Derivative financial instruments at fair value in the income statement	-	710
Liability relating to phantom shares	20,490	17,176
Payable salaries, holiday accrual etc.	42,583	39,535
Other accrued costs	10,018	8,949
Other liabilities	**73,091**	**66,370**

For further details of derivative financial instruments, see consolidated financial statements note 23. The phantom share programs are disclosed in the consolidated financial statements note 28.

14 Provisions

Accounting policies and significant accounting estimates
See consolidated financial statements note 24.

DKK thousand	2015	2014
Provisions as of January 1	22,209	16,208
Additions during the year	7,169	6,001
Disposals during the year	(4,152)	-
Provisions as of December 31	**25,226**	**22,209**

14 Provisions – continued

DKK thousand	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
2015	-	21,743	3,483	25,226
2014	3,606	16,202	2,401	22,209

Provisions include accruals for Reiner Laus, see further description in the consolidated financial statements note 24.

15 Related party transactions

The Corporate Management and Board of Directors of Bavarian Nordic A/S are considered related parties as they have significant influence over the Company.

Main intercompany transactions:
Bavarian Nordic GmbH provides research and development services to Bavarian Nordic A/S mainly in relation to the Group's infectious diseases business.

Bavarian Nordic, Inc. provides research and development services to Bavarian Nordic A/S mainly in relation to the clinical development of PROSTVAC and the ongoing Phase 3 study.

According to the sub-license agreement for PROSTVAC Bavarian Nordic A/S paid $22 million (DKK 147 million) to Bavarian Nordic, Inc. in March 2015 upon receipt of the upfront option payment from Bristol-Myers Squibb.

Bavarian Nordic Washington DC, Inc. provides services to Bavarian Nordic A/S in terms of commercial affair work towards the U.S. Government, with the purpose of ensuring an efficient communication and service to U.S. authorities, in order to maintain existing contracts and explore new product/contract opportunities on the U.S. market.

All services are delivered under cost plus agreements and on arms lengh conditions.

Internal interests are presented in note 5 and note 6. Gaurantees for subsidiaries are presented in note 18.

Apart from intra-group transactions mentioned above and the remuneration of the Board of Directors and Corporate Management, cf. note 8, note 24 and note 28 in the consolidated financial statements, there are no transactions with related parties.

16 Lease and rent commitments

DKK thousand	2015	2014
Due within 1 year	2,512	2,012
Due between 1 and 5 years	1,459	2,396
Commitments according to rent and lease agreements until expiry	**3,791**	**4,408**

17 Contingent liabilities and other contractual obligations

DKK thousand	2015	2014
Collaborative agreements		
Contractual obligations with research partners for long-term research projects.		
- Due within 1 year	44,614	3,286
- Due between 1 and 5 years	13,319	-
Other contractual obligations		
Other obligations include among other things security services and IT licenses.		
- Due within 1 year	8,126	27,522
- Due between 1 and 5 years	-	180

Repayment obligation
Repayment obligation regarding received prepayments see the consolidated financial statements note 29.

Joint taxation
The Company is jointly taxed with all Danish subsidiaries. As the administration company the Company stands surety with the other companies in the joint taxation of Danish corporate taxes and as of July 1, 2012 also withholding taxes on dividens, interest and royalties. Corporation taxes and withholding taxes payable in the joint taxation pool was DKK 0 as of December 31, 2015. Any adjustments of the taxable joint taxation income or taxes withheld at source may have the effect that the Company's liability increases.

Incentive agreements, Company mortgage, Lawsuits
See the consolidated financial statements note 29.

18 Mortgages and collateral

DKK thousand	2015	2014
Guarantees for subsidiaries		
The Parent Company stands surety for a credit facility to a subsidiary of a maximum of	3,622	3,413
The Parent Company stands surety for letter of credit to subsidiaries of a maximum of	3,730	3,723

Mortgages
See description regarding property, plant and equipment in note 16 in the consolidated financial statements.

19 Significant events after the balance sheet date

See the consolidated financial statements note 30.

FORWARD-LOOKING STATEMENT

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

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