Company Announcement

31 August 2011

Bavarian Nordic Reports First Half 2011 Financial Results

-- Conference Call Scheduled August 31, 2011 at 2 p.m. CET -

Kvistgaard, Denmark, August 31, 2011 – Bavarian Nordic A/S (OMX: BAVA) today announced its half year 2011 results. Revenue generated for the six months ended June 30, 2011 were DKK 58 million, compared to DKK 175 million for the six months ended June 30, 2010.

For the six months ended June 30, 2011, the Company reported a loss before tax of DKK 275 million compared to a net loss before tax of DKK 179 million, for the six months ended June 30, 2010. The half year 2011 results were in line with expectations.

As of 30 June 2011 the cash preparedness was DKK 800 million, including credit lines of DKK 120 million.

The company maintains its full-year expectations with revenues of approximately DKK 500 million, and a pre-tax loss estimate of DKK 350 million. The cash preparedness at year-end is expected to be in the level of DKK 525 million.

Highlights from the first half

- **Successfully raised DKK 654 million in rights issue**
  In May, Bavarian Nordic successfully completed an offering, generating net proceeds of DKK 654 million, allowing the company to pursue the development of PROSTVAC® which is scheduled to start the pivotal Phase 3 trial in the second half of 2011.

- **U.S. Government expands development contract for freeze-dried IMVAMUNE®**
  In April, the U.S. Government increased the value of the existing contract to develop a freeze-dried version of IMVAMUNE® smallpox vaccine from USD 40 million to USD 94 million. The increased funding will support additional studies and manufacturing activities to further advance the development of the freeze-dried version of IMVAMUNE® by the end of the contract period.

- **Submitted a marketing authorization application for IMVAMUNE® in Canada**
  In March, Bavarian Nordic submitted a marketing authorization application (MAA) in Canada for IMVAMUNE® for active immunization against smallpox in the general population of 18 years and older.

- **Signed two new delivery contracts for IMVAMUNE®**
  In June, Bavarian Nordic signed a contract with the Danish Defence and second contract with European NATO country for the delivery of IMVAMUNE®.

- **Initiated an NCI sponsored Phase 2 combination study with PROSTVAC® and chemotherapy**
  In February, a new multicenter, randomized Phase 2 study of 144 patients with metastatic castration-resistant prostate cancer (mCRPC) was initiated. The study will compare PROSTVAC® followed by docetaxel (chemotherapy) versus docetaxel alone.

- **Presented PROSTVAC® data in early stage prostate cancer at the 2011 ASCO Annual Meeting**
  In June at the 2011 ASCO Annual Meeting in Chicago, investigators from the National Cancer Institute (NCI) presented data from a study with PROSTVAC® in patients with locally recurrent prostate cancer. The data indicates that PROSTVAC® is active in stages of prostate cancer as early as locally recurrent disease.

- **Successfully defended patent position on MVA-BN®**
  In April, the ICC International Court of Arbitration rendered its decision in favor of Bavarian Nordic in the arbitration that had been pending against Helmholtz Zentrum München since 2009. Helmholtz Zentrum München's claims of rights to royalties on Bavarian Nordic's MVA-BN® based vaccines, including IMVAMUNE®, were found to be baseless on all grounds.

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Important events after the first half

- **IMVAMUNE® Phase 3 expanded; still awaiting final regulatory guidelines from the FDA**
  The FDA has recently announced a public workshop in September to discuss the regulatory pathway for next generation smallpox vaccines, e.g. IMVAMUNE®, for which licensure under the animal rule will be sought. Although this novel regulatory path has delayed the initiation of the pivotal non-clinical studies, the Phase 3 clinical study design has essentially been agreed with the FDA, and planning of the trial will be initiated already this year, although recruitment will only commence in the second half of 2012. The deliveries of IMVAMUNE® under the RFP-3 base contract will not be affected by the planning and subsequent initiation of the Phase 3 trial. As the Phase 3 design agreed with the FDA is larger and requires additional subjects than initially proposed by Bavarian Nordic, the company has requested the U.S. government to cover the added costs under a stipulation in the RFP-3 contract prior to the initiation of the study.

Anders Hedegaard, President & CEO commented on the interim report: "*During first half of 2011, we accomplished a number of significant events, supporting the continued progress of our business. With the successful completion of a rights issue in May, we have secured a timely launch of the pivotal Phase 3 trial of PROSTVAC® later this year. We also successfully scaled up the production of IMVAMUNE® and are on track to deliver the 4 million doses by the end of 2011. Additionally, the expansion of the contract for freeze-dried IMVAMUNE® further strengthens our ties with the U.S. Government, leading to potential future contracts. Our strong cash position and secured contracts protect us well against the current turmoil in the global markets.*"

Selected, upcoming milestones

- Initiation of Phase 3 study of PROSTVAC® in patients with asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer (H2, 2011)
- Complete enrolment of patients and report initial immune data for MVA-BN® HER2 in breast cancer (H2, 2011)
- Report final Phase 1/2 data for MVA-BN® PRO in prostate cancer (H1, 2012)
- Initiate Phase 3 study of IMVAMUNE® (H2, 2012)
- Approval of MAA in Canada for IMVAMUNE® (2012)
- Initiate Phase 1 study of MVA-BN® Anthrax (H1, 2012)
- Initiate Phase 1 study of MVA-BN® RSV (H1, 2012)

Conference call
The company will host a conference call today, Wednesday, August 31 at 2 p. m. CET. President and CEO, Anders Hedegaard will present the interim results followed by a Q&A session with additional attendance of Ole Larsen, CFO and Rolf Sass Sørensen, Vice President Investor Relations and Communications. Dial-in numbers for the conference call are: Denmark: +45 3271 4607, UK: +44 (0)20 7162 0077, US: +1 334 323 6201. The accompanying presentation is available on the company's website: www.bavarian-nordic.com/q2.

Contact
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Management's review

Cancer Vaccine Division

PROSTVAC® - prostate cancer vaccine candidate

PROSTVAC® is a therapeutic prostate cancer vaccine candidate. In 19 ongoing and completed clinical trials involving more than 850 patients, the vaccine has demonstrated a favourable safety profile. A larger Phase 2 trial demonstrated the vaccine's ability to extend the median overall survival by 8.5 months in patients with advanced prostate cancer. These results have formed the basis for a Phase 3 trial which is expected to commence during the second half of 2011.

PROSTVAC® Phase 3 development
Following the successful completion of a rights issue in May, Bavarian Nordic has obtained the financial flexibility to pursue the development of PROSTVAC®. Securing a partner for PROSTVAC® continues to be a key strategic goal for Bavarian Nordic, and discussions continue with potential partners for the development and commercialization.

Preparations for the Phase 3 trial, which has been named PROSPECT, are proceeding as planned. More than 300 clinical trial centres in approximately 20 countries are expected to participate in the trial and are currently in the process of being selected. Study initiation is expected following the release of clinical trial material during second half of 2011.

The PROSPECT trial will be conducted under a Special Protocol Assessment (SPA) agreement with the FDA and includes a single global, randomized, double-blind, placebo-controlled study that is expected to enrol about 1,200 patients with asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer. The study's primary endpoint is overall survival.

New Phase 2 study comparing PROSTVAC® and chemotherapy versus chemotherapy
An NCI sponsored, multicenter, randomized Phase 2 study of 144 patients with metastatic castration-resistant prostate cancer was initiated in February 2011. The study will compare PROSTVAC® followed by docetaxel (chemotherapy) versus docetaxel alone.

The primary endpoint of the study is to evaluate the overall survival. Secondary endpoints include the evaluation of prostate-specific antigen (PSA) response rates and evaluation of the association between development of PSA-specific immune responses, time to progression, and overall survival in patients treated with these regimens.

Ongoing PROSTVAC® studies in earlier stage disease indicate slower disease progression
Data from previous clinical studies with PROSTVAC® in non-metastatic disease settings have demonstrated the potential of the vaccine to slow disease progression. Likewise, as used in combination with other therapies, PROSTVAC® has also demonstrated the ability to enhance the therapeutic effect.

- Preliminary results from an ongoing Phase 2 study comparing antihormone therapy (flutamide) with or without PROSTVAC® therapy in patients with non-metastatic prostate cancer were presented at the 2011 Genitourinary Cancers Symposium (ASCO) in February. The preliminary results from 26 patients indicate an improvement in time to progression (TTP) for those patients receiving PROSTVAC® in combination with flutamide (median TTP = 223 days) compared to flutamide alone (median TTP = 85 days). The study will enrol a total of 65 patients and final results are expected in 2012.

- Data from a Phase 1 study investigating PROSTVAC® by intraprostatic injection were presented at the 2011 ASCO Annual Meeting in Chicago in June 2011. In this study 21 patients with locally recurrent prostate cancer after primary radiation therapy were enrolled and received initial vaccination with subcutaneous injection of PROSTVAC® and booster intraprostatic injection of PROSTVAC®. The vaccine was well tolerated with only one grade 3 adverse event (fever). 18 of 21 patients had stable or improved PSA on study. 16 of 21 patients had stable or improved PSA doubling time. Intraprostatic administration of PROSTVAC® appears safe, feasible and can generate a substantial immune response.

Bavarian Nordic expects to present further results from these and additional ongoing PROSTVAC® studies from the second half of 2011 and onwards.

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Publication of an immunotherapy article with comprehensive data on PROSTVAC®
A review article on immunotherapy in prostate cancer, authored by key investigators from the National Cancer Institute, was recently published online in the scientific journal, *Vaccine*. (*Bilusic M, et al. Immunotherapy in prostate cancer: Emerging strategies against a formidable foe. Vaccine (2011), doi:10.1016/j.vaccine.2011.06.088*). Data from several completed and ongoing clinical studies with PROSTVAC® that have previously been reported are summarized in the article.

Entered into a research project aimed at developing new cancer vaccines
In March 2011, Bavarian Nordic entered into a new Danish research project, established with the purpose of identifying pathogens (viruses and bacteria) that may cause cancer. The identification of such viruses is an important step towards the development of cancer vaccines. Bavarian Nordic has been elected as a partner in this project and has exclusive rights to negotiate a license to commercialize any cancer vaccines that may emerge from the project. Until any viruses, leading to the development of new vaccines is identified; the project carries limited costs for Bavarian Nordic.

The research project is part of a larger project, which received a grant of almost DKK 90 million from the Danish National Advanced Technology Foundation.

Infectious Disease Division

IMVAMUNE® - smallpox vaccine candidate

Commercial-scale manufacturing of IMVAMUNE® on track
In January, Bavarian Nordic successfully scaled up the production of IMVAMUNE® from two batches to three batches per week. Further scale up to four batches per week was just recently initiated.

In 2010, the first 2 million doses of IMVAMUNE® under the contract for a total of 20 million doses were delivered to the U.S. Strategic National Stockpile. The company has continued its deliveries during the first half of 2011 and remains on track to deliver 4 million doses during 2011. Of the doses delivered this year, approximately 3 million will be recognized as revenue and around 2 million will contribute to the 2011 cash flow due to anticipated delivery and acceptance from BARDA in the fourth quarter of 2011.

In 2011 to-date, a total of 720,000 doses have been delivered of which 288,000 doses were delivered in the first half of 2011. An additional 1.1 million doses have been manufactured and are awaiting the final release tests to be completed. As of 30 June 2011, USD 188 million has been received under the RFP-3 contract, and thus USD 317 million remains under the contract that has a total secured value of USD 505 million.

After 2011, the remaining 14 million doses are expected to be delivered in 2012 and 2013. In summary, the projected delivery schedule of IMVAMUNE® is expected to enable the Bavarian Nordic Infectious Disease Division to be cash flow positive as of the fourth quarter of 2011.

New delivery contracts for IMVAMUNE® with Denmark and another European NATO country
In June, Bavarian Nordic signed a contract with the Danish Defence for the delivery of IMVAMUNE®. Furthermore, Bavarian Nordic has signed a contract with another European NATO country for the delivery of IMVAMUNE®. The size and value of the contracts were not disclosed.

Marketing authorization application for IMVAMUNE® submitted in Canada
In March, Bavarian Nordic submitted a marketing authorization application (MAA) in Canada for IMVAMUNE®. If the MAA is accepted by Health Canada and following a standard New Drug Submission (NDS) review time of approximately one year, IMVAMUNE® will be indicated for active immunization against smallpox infection and disease in persons 18 years of age and older. The indication will include individuals with immune deficiencies and skin disorders such as those who are Human Immunodeficiency Virus (HIV) infected and those who have Atopic Dermatitis (AD). If approved, the vaccine may be used for both primary vaccination and re-vaccination, both in an emergency and non-emergency setting.

IMVAMUNE® Phase 3 trial
Bavarian Nordic is in continued dialogue with the FDA with regard to the regulatory requirements for licensure of IMVAMUNE® and the FDA have recently announced a public workshop in September to discuss the regulatory pathway for next generation smallpox vaccines, e.g. IMVAMUNE®, for which licensure under the animal rule will be sought. Although this novel regulatory path has delayed the initiation of the pivotal non-clinical studies, the Phase 3 clinical study design has essentially been agreed with the FDA, which will be a blind, randomized, placebo-controlled study in 4,000 healthy subjects.

The planning of this worldwide trial will be initiated already this year, although recruitment will only commence in the second half of 2012. The deliveries of IMVAMUNE® under the RFP-3 base contract will not be

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affected by the planning and subsequent initiation of the Phase 3 trial. As the Phase 3 design agreed with the FDA is larger and requires additional subjects than initially proposed by Bavarian Nordic as part of the award under Project Bioshield, Bavarian Nordic has requested the U.S. government to cover the added under a stipulation in the RFP-3 contract prior to the initiation of the study.

U.S. Government expands development contract for freeze-dried IMVAMUNE®
In April, the U.S. Government through the Biomedical Advanced Research and Development Authority (BARDA) increased the value of the existing contract to develop a freeze-dried version of IMVAMUNE® smallpox vaccine from USD 40 million to USD 94 million.

The contract provides funds to validate the new freeze-dried manufacturing process and the associated pre-clinical and clinical studies to support the development of a freeze-dried version of IMVAMUNE®. The increased funding will support additional studies and manufacturing activities to further advance the development of the freeze-dried version of IMVAMUNE® by the end of the contract period.

The freeze-dried contract was originally awarded in November 2009 and provided base year funding, followed by optional annual funding until 2014. The first option to fund the program during 2011 was already exercised by BARDA in 2010, providing a total of USD 27 million. While the additional funding will have no impact on revenues for 2011, revenues from the freeze-dried contract will increase in 2012 to 2014.

Contract with the Imperial College of London for manufacturing a recombinant MVA vaccine for HIV
Bavarian Nordic has entered into a contract with the Imperial College of London (ICL) to characterize and manufacture sufficient quantities of a recombinant MVA HIV vaccine to support Phase 1 studies sponsored by ICL. This represents the second contract that Bavarian Nordic has entered after being approached to support the early development of MVA-based vaccines by third parties and represents the recognition of the company's expertise within this growing field.

Other issues

Bavarian Nordic wins arbitration case against Helmholtz Zentrum München
In April, the ICC International Court of Arbitration rendered its decision in the arbitration that had been pending against Helmholtz Zentrum München (formerly also known as GSF). The tribunal found Helmholtz Zentrum München's claims of rights to royalties on Bavarian Nordic's MVA-BN® based vaccines, including IMVAMUNE®, to be baseless on all grounds. The tribunal further ordered that Bavarian Nordic's attorney fees be reimbursed.

Rights issue increases foreign ownership
The rights issue that was successfully completed in May with 99.7% of the offered shares subscribed was strongly supported by international blue chip and healthcare specialist investors who fully backed the decision to pursue the development of PROSTVAC®. This led to a significant change in the shareholder base, as the foreign ownership was increased from 25% to 34%.

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Financial statement for the period (1 January – 30 June 2011, un-audited)

The comparison figures for the same period 2010 are stated in parenthesis.

Revenue generated for the six months ended June 30, 2011 was DKK 58 million (DKK 175 million). Revenue was primarily generated from the sale of IMVAMUNE® under the RFP-3 contract, DKK 29 million (DKK 117 million); revenue from the RFP-2 contract, DKK 10 million (DKK 26 million) and revenue from the IMVAMUNE® freeze-dried contract, DKK 11 million (DKK 5 million). The decrease in revenue was mainly due to the number of doses delivered under the RFP-3 contract (288,000 doses in 2011 versus 1,152,000 in 2010). Revenue reported for the three months ended June 30, 2011 was DKK 29 million (DKK 162 million).

The production costs totalled DKK 120 million (DKK 212 million), of which costs related directly to the revenue amount to DKK 50 million (DKK 107 million). Other production costs have decreased by DKK 35 million compared to 2010 due to a more optimized production process leading to lower write down and discarding of products. In the second quarter of 2011, the production costs were DKK 65 million (DKK 149 million).

The Group's research and development costs totalled DKK 120 million (DKK 92 million). The increase is mainly due to the preparation for the planned Phase 3 trial of PROSTVAC®. The research and development expenditures for the three months ending June 30, 2011 were DKK 62 million (DKK 52 million)

Distribution costs totalled DKK 11 million (DKK 14 million) and administrative expenses totalled DKK 62 million (DKK 46 million). The main reason for the increase in administrative costs is the reclassification of costs of DKK 14 million in the Cancer Vaccine division, which previously have been reported as research and development costs, but due to the upcoming Phase 3 trial for PROSTVAC® and the expansion of the organization in California it has been decided to separate the costs for administrative functions.

Financial items totalled DKK -20 million (DKK 9 million) and are primarily related to exchange rate adjustments of DKK -15 million (DKK 9 million) due to a lower USD exchange rate.

Income before tax is a loss of DKK 275 million (DKK 179 million loss). The company recorded a loss before tax of DKK 140 million for the second quarter of 2011 compared to a loss before tax of DKK 63 million for the second quarter of 2010.

For the first half of 2011, Bavarian Nordic reported a net loss of DKK 227 million (DKK 148 million), or earnings per share of DKK -14.7 (DKK -13.2).

As of 30 June 2011 the Group's cash preparedness is DKK 800 million (DKK 219 million), including credit lines of DKK 120 million. Cash flow from operations was negative DKK 296 million (DKK -246 million). Cash flow from investment activities was negative DKK 447 million (DKK -16 million) and cash flow from financing activities was DKK 648 million (DKK 283 million). The cash flow from investing activities primarily consists of acquired securities. The cash flow from financing activities consists mainly of net proceeds of 654 million from the rights issue completed in May 2011. The net change in cash and cash equivalents was negative DKK 94 million (DKK 21 million).

The Group's equity as of 30 June 2011 is DKK 1,276 million (DKK 822 million).

Financial expectations

Bavarian Nordic maintains its expectations announced in the Annual Report for 2010. Management expects revenue of approximately DKK 500 million, and an estimated pre-tax loss of approximately DKK 350 million.

Revenue will primarily be generated from the delivery of IMVAMUNE® to the United States under the RFP-3 contract and billing of the continuation of the RFP-2 contract and the RFP contract for freeze-dried IMVAMUNE®. In 2011, Bavarian Nordic expects to deliver 4 million doses of IMVAMUNE® to the U.S. Strategic National Stockpile, of which approximately 3 million will be revenue recognized and around 2 million will contribute to the 2011 cash flow due to anticipated late delivery and acceptance from BARDA in the fourth quarter of 2011. After 2011, the remaining 14 million doses under the RFP-3 contract are expected to be delivered in 2012 and 2013.

The cash preparedness at year-end is expected to be approximately DKK 525 million including a credit facility of DKK 120 million.

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Statement from the Board of Directors and Corporate Management

The Board of Directors and Corporate Management have, today reviewed and approved Bavarian Nordic A/S' interim report for the period 1 January to 30 June 2011.

The interim report has been prepared in accordance with IAS 34 "*Presentation of interim reports*" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies, including those of NASDAQ OMX Copenhagen. The interim report has not been audited or reviewed by the company's auditors.

In our opinion, the interim report gives a true and fair view of the group's assets and liabilities and financial position as of 30 June 2011 and the results of the group's activities and cash flows for the period 1 January to 30 June 2011.

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

Kvistgård, 31 August 2011

Corporate Management:

Anders Hedegaard
President and CEO

Board of Directors:

Asger Aamund Chairman of the Board	Claus Bræstrup	Erling Johansen
Gerard van Odijk	Anders Gersel Pedersen	Erik G. Hansen

About Bavarian Nordic
Bavarian Nordic is a vaccine-focused biotechnology company developing and producing novel vaccines for the treatment and prevention of life-threatening diseases with a large unmet medical need. The company's clinical pipeline targets cancer and infectious diseases, and includes seven development programmes. Two programmes are under preparation for Phase III: PROSTVAC®, a therapeutic vaccine for advanced prostate cancer is being developed under a collaboration agreement with the National Cancer Institute, and IMVAMUNE®, a third-generation smallpox vaccine is being developed under a contract with the US government.

Bavarian Nordic is listed on NASDAQ OMX Copenhagen under the symbol BAVA.

For more information please visit www.bavarian-nordic.com

PROSTVAC® is a registered trademark in the U.S.

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

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Group Key Figures

(DKK million)	1/4-30/6 2011	1/4-30/6 2010	1/1-30/6 2011	1/1-30/6 2010	1/1-31/12 2010
	un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
Income statements					
Revenue	29.2	161.9	57.8	175.4	314.1
Production costs	64.8	149.1	119.6	212.2	444.5
Research and development costs	61.5	51.5	119.8	91.6	210.8
Distribution costs	6.4	8.0	11.0	13.8	28.3
Administrative costs	31.2	24.4	61.8	45.8	104.6
Income before interest and taxes	(134.7)	(71.1)	(254.4)	(188.0)	(474.1)
Financial items, net	(5.6)	8.0	(20.4)	9.2	(9.4)
Income before company tax	(140.3)	(63.1)	(274.8)	(178.8)	(483.5)
Result for the period	(117.7)	(55.4)	(226.5)	(148.2)	(389.9)
Balance sheet					
Non-current assets			872.2	762.0	829.2
Current assets			1,068.0	798.5	637.9
Assets			1,940.2	1,560.5	1,467.1
Equity			1,276.2	822.3	810.4
Non-current liabilities			97.8	118.3	106.5
Current liabilities			566.2	619.9	550.2
Cash flow statements					
Net cash including bonds			680.0	198.8	355.7
Cash flow from operating activities			(296.0)	(246.2)	(239.9)
Cash flow from investment activities			(446.7)	(15.5)	(45.8)
Investment in tangible assets			(20.5)	(13.7)	(45.7)
Cash flow from financing activities			648.3	282.7	471.0
Financial Ratios (DKK) [1)]					
Earnings per share					
- basic earnings per share of DKK 10			(14.7)	(13.2)	(33.5)
- diluted earnings per share of DKK 10			(14.7)	(13.2)	(33.5)
Net asset value per share			49.3	69.0	62.5
Share price at the end of the period			66	221	245
Share price/Net asset value per share			1.3	3.2	3.9
Numbers of outstanding shares at the end of the period, thousands			25,881	11,912	12,962
Equity share			66%	53%	55%
Number of employees, converted to full-time, at the end of the period			431	381	402

[1)] Earnings per share has been calculated in accordance with IAS 33 "Earnings per share".
Other key ratios have been calculated in accordance with "Anbefalinger og Nøgletal 2010" from The Danish Society of Financial Analysts.

Notes
(stated at the end of this document):

1. Accounting policies
2. Significant accounting estimates and judgements
3. Intangible assets under construction
4. Segment reporting
5. Revenue
6. Production costs
7. Inventories
8. Other receivables
9. Other debt
10. Related party transactions
11. Incentive plans

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Income Statement

(DKK million)	Note	1/4-30/6 2011	1/4-30/6 2010	1/1-30/6 2011	1/1-30/6 2010	1/1-31/12 2010
		un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
Revenue	5	29.2	161.9	57.8	175.4	314.1
Production costs	6	64.8	149.1	119.6	212.2	444.5
Gross profit		**(35.6)**	**12.8**	**(61.8)**	**(36.8)**	**(130.4)**
Research and Development costs		61.5	51.5	119.8	91.6	210.8
Distribution costs		6.4	8.0	11.0	13.8	28.3
Administrative costs		31.2	24.4	61.8	45.8	104.6
Total operating costs		**99.1**	**83.9**	**192.6**	**151.2**	**343.7**
Income before interest and tax		**(134.7)**	**(71.1)**	**(254.4)**	**(188.0)**	**(474.1)**
Financial income		(0.4)	18.5	0.7	25.9	4.2
Financial expenses		5.2	10.5	21.1	16.7	13.6
Income before company tax		**(140.3)**	**(63.1)**	**(274.8)**	**(178.8)**	**(483.5)**
Tax on income for the period		22.6	7.7	48.3	30.6	93.6
Net profit for the period		**(117.7)**	**(55.4)**	**(226.5)**	**(148.2)**	**(389.9)**
Earnings per share (EPS) - DKK						
-basic earnings per share of DKK 10		(6.6)	(4.7)	(14.7)	(13.2)	(33.5)
-diluted earnings per share of DKK 10		(6.6)	(4.7)	(14.7)	(13.2)	(33.5)

Statement of comprehensive income

(DKK million)	1/4-30/6 2011	1/4-30/6 2010	1/1-30/6 2011	1/1-30/6 2010	1/1-31/12 2010
	un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
Net profit for the period	**(117.7)**	**(55.4)**	**(226.5)**	**(148.2)**	**(389.9)**
Exchange rate adjustments, investments in subsidiaries	4.3	(5.8)	14.1	(10.1)	(3.6)
Fair value of financial instruments entered into to hedge future cash flow:					
This years fair value adjustment	3.8	(26.4)	18.2	(43.4)	(22.3)
Fair value adjustment transferred to revenue	0.1	0.4	0.1	0.4	0.7
Tax on other comprehensive income	(1.0)	6.4	(4.6)	10.7	5.4
Other comprehensive income after tax	**7.2**	**(25.4)**	**27.8**	**(42.4)**	**(19.8)**
Total comprehensive income	**(110.5)**	**(80.8)**	**(198.7)**	**(190.6)**	**(409.7)**

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Statement of financial position

(DKK million)	Note	30/6 2011	30/6 2010	31/12 2010
		un-audited	*un-audited*	*audited*
Assets				
Purchased rights		7.2	9.1	8.1
Software		12.0	17.9	16.0
Assets under construction	3	112.6	104.6	109.5
Intangible assets		**131.8**	**131.6**	**133.6**
Land and buildings		180.5	169.5	179.9
Leasehold improvements		11.1	2.2	18.3
Plant and machinery		119.3	132.0	121.7
Machinery, equipment and furniture		27.8	16.4	18.4
Assets under construction		21.4	27.7	22.5
Tangible assets		**360.1**	**347.8**	**360.8**
Other financial non-current assets		0.3	0.3	0.4
Financial assets		**0.3**	**0.3**	**0.4**
Deferred tax assets		**380.0**	**282.3**	**334.4**
Non-current assets		**872.2**	**762.0**	**829.2**
Inventories	7	**214.8**	**203.7**	**121.4**
Trade receivables		25.5	296.5	36.9
Tax receivables		0.2	-	0.6
Other receivables	8	22.7	8.6	13.7
Pre-payments and accrued income		124.8	90.9	109.6
Receivables		**173.2**	**396.0**	**160.8**
Securities		507.9	96.0	88.9
Cash and cash equivalents		172.1	102.8	266.8
Securities, cash and cash equivalents		**680.0**	**198.8**	**355.7**
Current assets		**1,068.0**	**798.5**	**637.9**
Assets		**1,940.2**	**1,560.5**	**1,467.1**
Equity and liabilities				
Share capital		258.8	119.1	129.6
Retained earnings		959.8	711.4	651.4
Other reserves		57.6	(8.2)	29.4
Equity		**1,276.2**	**822.3**	**810.4**
Other provisions		8.7	11.1	8.7
Credit institutions		89.1	107.2	97.8
Non-current liabilities		**97.8**	**118.3**	**106.5**
Credit institutions		8.2	12.1	9.0
Prepayment from customer		375.7	411.9	381.8
Accounts payable		75.5	59.6	50.1
Company tax		0.6	1.3	-
Other provisions		6.1	-	6.1
Other debts	9	100.1	135.0	103.2
Current liabilities		**566.2**	**619.9**	**550.2**
Liabilities		**664.0**	**738.2**	**656.7**
Total liabilities and shareholders´ equity		**1,940.2**	**1,560.5**	**1,467.1**

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Statement of cash flow

(DKK million)	1/1 - 30/6 2011	1/1 - 30/6 2010	1/1 - 31/12 2010
	un-audited	*un-audited*	*audited*
Income before interest and tax	**(254.4)**	**(188.0)**	**(474.1)**
Depreciations	26.3	25.4	49.7
Share-based payment	10.1	6.9	25.5
Adjustment for other non-cash items	0.1	0.4	0.7
Changes in inventories	(93.4)	42.8	125.0
Changes in receivables	(4.6)	(271.4)	(34.2)
Changes in provisions	-	-	0.7
Changes in current liabilities	46.5	119.2	72.8
Cash flows from operations (operating activities)	**(269.4)**	**(264.7)**	**(233.9)**
Financial income	0.8	25.9	1.6
Financial expenses	(11.5)	(5.9)	(9.4)
Exchange rate adjustments intercompany accounts	(15.0)	-	4.2
Paid corporation taxes	(0.9)	(1.5)	(2.4)
Cash flow from operating activities	**(296.0)**	**(246.2)**	**(239.9)**
Investments in intangible assets	(4.2)	(9.2)	(16.2)
Investments in tangible assets	(20.5)	(13.7)	(45.7)
Investments in financial assets	-	(0.6)	0.5
Investments in securities	(422.0)	8.0	15.6
Cash flow from investment activities	**(446.7)**	**(15.5)**	**(45.8)**
Payment on mortgage and bank debt	(4.3)	(3.8)	(8.6)
Payment on financial leasing liabilities	(0.2)	(6.6)	(8.8)
Repurchase of stock options in subsidiary	(1.6)	(3.6)	(5.6)
Proceeds through issue of new shares	697.6	316.8	521.6
Cost related to issue of new shares	(43.2)	(20.1)	(27.6)
Cash flow from financing activities	**648.3**	**282.7**	**471.0**
Net changes in cash and cash equivalents	**(94.4)**	**21.0**	**185.3**
Cash and cash equivalents, 1 January	266.8	81.0	81.0
Currency adjustments, 1 January	(0.3)	0.8	0.5
Cash and cash equivalents, end of period	**172.1**	**102.8**	**266.8**
Securities - highly liquid bonds	507.9	96.0	88.9
Credit lines	120.0	20.0	104.4
Cash preparedness	**800.0**	**218.8**	**460.1**

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Statement of changes in equity - Group

(DKK million)	Share capital	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity group
Shareholders equity as of 1 January 2011	**129.6**	**651.4**	**0.6**	**(5.5)**	**34.3**	**810.4**
Comprehensive income for the period						
Net profit	-	(226.5)	-	-	-	(226.5)
Other comprehensive income						
Exchange rate adjustments, Investments in subsidiaries	-	-	14.1	-	-	14.1
Fair value of financial instruments	-	-	-	13.7	-	13.7
Total comprehensive income for the period	**-**	**(226.5)**	**14.1**	**13.7**	**-**	**(198.7)**
Transactions with owners						
Share-based payment	-	-	-	-	10.1	10.1
Warrants programme expired	-	9.7	-	-	(9.7)	-
Capital increase through rights issue	129.2	568.4	-	-	-	697.6
Cost related to issue of new shares	-	(43.2)	-	-	-	(43.2)
Total transactions with owners	**129.2**	**534.9**	**-**	**-**	**0.4**	**664.5**
Shareholders equity as of 30 June 2011	**258.8**	**959.8**	**14.7**	**8.2**	**34.7**	**1,276.2**

(DKK million)	Share capital	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity group
Shareholders equity as of 1 January 2010	**79.5**	**590.7**	**4.2**	**10.6**	**19.2**	**704.2**
Comprehensive income for the period						
Net profit	-	(148.2)	-	-	-	(148.2)
Other comprehensive income						
Exchange rate adjustments, Investments in subsidiaries	-	-	(10.1)	-	-	(10.1)
Fair value of financial instruments	-	-	-	(32.3)	-	(32.3)
Total comprehensive income for the period	**-**	**(148.2)**	**(10.1)**	**(32.3)**	**-**	**(190.6)**
Transactions with owners						
Share-based payment	-	-	-	-	6.9	6.9
Warrants programme expired	-	6.8	-	-	(6.8)	-
Capital increase through rights issue	39.6	277.2	-	-	-	316.8
Cost related to issue of new shares	-	(20.1)	-	-	-	(20.1)
Tax on transactions in equity	-	5.0	-	-	-	5.0
Total transactions with owners	**39.6**	**268.9**	**-**	**-**	**0.1**	**308.6**
Shareholders equity as of 30 June 2010	**119.1**	**711.4**	**(5.9)**	**(21.7)**	**19.3**	**822.2**

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Notes

1. Accounting policies
The interim report is prepared in accordance with IAS 34, Presentation of interim reports, as adopted by EU and the additional Danish requirements for submission of interim reports for companies listed on NASDAQ OMX Copenhagen.

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

The accounting policies used in the interim report are consistent with those used in the Annual Report 2010 and in accordance with the recognition and measurement policies in the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies. We refer to the Annual Report 2010 for further description of the accounting policies.

2. Significant accounting estimates and judgements
In the preparation of the interim report according to generally accepted accounting principles, Management is required to make certain estimates as many financial statement items cannot be reliably measured, but must be estimated. Such estimates comprise judgements made on the basis of the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events.

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

Further to significant accounting estimates and judgements, which are stated in the Annual Report 2010, the Management has not performed significant estimates and judgements regarding recognition and measurement.

3. Intangible assets under construction
Intangible assets under construction include development costs related to the registration of IMVAMUNE® under the RFP-3 contract (own development).

4. Segment reporting
The Group consists of two primary business areas: Cancer Vaccines and Infectious Diseases and a Holding (not reportable segment). Holding covers costs for group management, IR, Finance, IT, HR, Legal and Facility. From 2011 a large part of these costs are covered by the two operating segments through internal allocations. However, these allocations are not made in 2010, with resolution on dividing the Group into two divisions not taken until autumn 2010.

Segment results reflect the results reported to the Company's chief operating decision management for the purposes of their decisions about allocating resources and assessing segment performance.

Financials are not allocated to operating segments. Therefore, the "Income before interest and tax" is presented as target in segment reporting. Similar the balance sheet is not divided into operating segments, therefore total assets per operating segment do not appear. Investments for the year are broken down by operating segments and are shown in the note below.

The accounting policies used for segment information is the same as the Group's accounting policies.

Period 1/1 - 30/6 2011 (DKK million)	**Cancer Vaccines**	**Infectious Diseases**	**Holding**	**Total**
RFP-3 IMVAMUNE® sales	-	28.6	-	28.6
Contract work	-	29.1	-	29.1
Product sale	-	0.1	-	0.1
Revenue	**-**	**57.8**	**-**	**57.8**
Depreciations	2.5	18.6	5.2	26.3
Income before interest and tax	**(93.3)**	**(117.3)**	**(43.8)**	**(254.4)**
Purchase/sale () of internal services	2.9	(2.9)	-	-
Distribution of the holding costs	5.0	26.0	(31.0)	-
Income before interest and tax after allocations	**(101.2)**	**(140.4)**	**(12.8)**	**(254.4)**
Investments	4.7	19.1	0.9	24.7

Period 1/1 - 30/6 2010 (DKK million)	**Cancer Vaccines**	**Infectious Diseases**	**Holding**	**Total**
RFP-3 IMVAMUNE® sales	-	116.5	-	116.5
Contract work	-	58.9	-	58.9
Revenue	**-**	**175.4**	**-**	**175.4**
Depreciations	1.7	19.5	4.2	25.4
Income before interest and tax	**(48.2)**	**(90.2)**	**(49.6)**	**(188.0)**
Investments	0.6	19.7	2.6	22.9

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(DKK million)	1/4-30/6 2011	1/4-30/6 2010	1/1-30/6 2011	1/1-30/6 2010	1/1-31/12 2010
	un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
5. Revenue					
RFP-3 IMVAMUNE® sale	14.0	116.5	28.6	116.5	215.0
Contract income	15.2	45.4	29.1	58.9	98.8
Product sales	-	-	0.1	-	0.3
Revenue	**29.2**	**161.9**	**57.8**	**175.4**	**314.1**
Total revenue includes:					
Fair value adjustment transferred from equity concerning financial instruments entered into to hedge revenue	(0.1)	(0.4)	(0.1)	(0.4)	(0.7)
6. Production costs					
Cost of goods sold, RFP-3 IMVAMUNE® sale	13.2	66.6	22.6	66.6	136.9
Contract costs	11.4	32.9	27.5	40.7	68.6
Cost of goods sold, product sales	-	-	-	-	0.1
Other production costs	40.2	49.6	69.5	104.9	238.9
Production costs	**64.8**	**149.1**	**119.6**	**212.2**	**444.5**

(DKK million)	30/6 2011	30/6 2010	31/12 2010
	un-audited	*un-audited*	*audited*
7. Inventories			
Raw materials and supply materials	23.4	19.0	24.0
Work in progress	258.2	194.3	191.7
Manufactured goods and commodities	29.5	21.8	13.4
Write-down on inventory	(96.3)	(31.4)	(107.7)
Inventories	**214.8**	**203.7**	**121.4**
Write-down on inventory 1 January	(107.7)	(32.5)	(33.9)
Write-down during the period	(49.7)	(35.9)	(101.4)
Use of write-down	38.5	33.1	19.9
Reversal of write-down	22.6	3.9	7.7
Write-down end of period	**(96.3)**	**(31.4)**	**(107.7)**
8. Other receivables			
Accrued project costs	8.3	4.5	5.9
Other receivables	14.4	4.1	7.8
Total	**22.7**	**8.6**	**13.7**
9. Other debts			
Financial instruments to fair value	13.7	53.6	32.0
Liability relating to phantom shares	0.4	2.4	3.8
Other receivables	86.0	79.0	67.4
Total	**100.1**	**135.0**	**103.2**

10. Related party transactions
The nature and extent of transactions with related parties remain unchanged from last year. Reference is made to the description in the Annual Report 2010.

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11. Incentive plans

Outstanding warrants

	Outstanding as of 1 January	Adj. reg. Rights Issue	Addition during the period	Options exercised	Annulled	Terminated	Transferred	Outstanding as of 30 June
Board of Directors	84,852	25,274	-	-	-	(11,924)	-	98,202
CEO & President	103,475	23,466	-	-	-	(35,775)	-	91,166
Group Management	134,435	40,397	-	-	-	(17,887)	-	156,945
Other employees	561,599	169,904	-	-	(29,992)	(67,369)	-	634,142
Retired employees	167,745	42,637	-	-	-	(44,715)	-	165,667
Total	**1,052,106**	**301,678**	**-**	**-**	**(29,992)**	**(177,670)**	**-**	**1,146,122**
Weighted average exercise price	**243**	**-**	**-**	**-**	**142**	**460**	**-**	**148**
Numbers of warrants which can be exercised as of 30 June 2011								-

The warrants, which were granted to the company's Board of Directors and staff in 2007 have expired in the first quarter of 2011, without the programme being exercised.

The warrant programmes have a regulation, if a resolution is passed to increase the capital in Bavarian Nordic. If the capital increase reduces the potential gain to be derived from the warrants, the exercise price and/or the number of shares that may be subscribed for by the exercise of the warrants must be adjusted to ensure that the potential gain to be derived from the warrants remains unchanged. The warrant programmes for 2008, 2009 and 2010 are adjusted regarding these rules as a result of the Rights Issue in May 2011 as shown in the above table.

In accordance with IFRS 2 an incremental fair value has been calculated based on the adjustment, see the Black-Scholes parameters in the table below. The total value amounted to DKK 11 million and will be expensed over the period from the date of issue until the date when the warrant programmes vest.

The total recognized cost of the warrant programmes was DKK 10 million in the first half year of 2011 (2010: DKK 7 million).

Specification of parameters for Black-Scholes model	2008	March 2009	December 2009	May 2010	August 2010	December 2010
Before Rights Issue:						
Average share price (DKK) at date of issue	74	74	74	74	74	74
Average share exercise price (DKK)	131	104	154	291	259	261
Expected volatility rate at date of issue	69%	69%	69%	69%	69%	69%
Expected life - number of years (maturity at date of issue)	0.4	0.8	1.6	2.0	2.3	2.6
Expected dividend per share	-	-	-	-	-	-
Risk-free interest rate p.a. at date of issue	1.47%	1.47%	1.81%	1.81%	2.07%	2.07%
The fair value of the warrants at date of issue	15	23	20	13	17	19
After Rights Issue:						
Average share price (DKK) at date of issue	74	74	74	74	74	74
Average share exercise price (DKK)	97	77	114	216	192	194
Expected volatility rate at date of issue	69%	69%	69%	69%	69%	69%
Expected life - number of years (maturity at date of issue)	0.4	0.8	1.6	2.0	2.3	2.6
Expected dividend per share	-	-	-	-	-	-
Risk-free interest rate p.a. at date of issue	1.47%	1.47%	1.81%	1.81%	2.07%	2.07%
The fair value of the warrants at date of issue	21	29	25	17	21	23

The expected volatility is based on the historical volatility (over 12 months).

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