Company Announcement

31 August 2010

Bavarian Nordic A/S – Interim Report for the period 1 January to 30 June 2010

In the first half of 2010 Bavarian Nordic generated revenue of DKK 175 million and recorded a loss before tax of DKK 179 million. Revenue is primarily derived from the deliveries of IMVAMUNE® to the U.S. Strategic National Stockpile under the RFP-3 contract. As of 30 June 2010 the Group's cash preparedness was DKK 219 million. After close of the period, the cash preparedness was significantly strengthened and amounts to approx. DKK 460 million by the reporting date.

Bavarian Nordic's financial expectations for the full year 2010 were primarily based on the delivery of 4-5 million doses of IMVAMUNE® to the U.S. In order to achieve this, the company began upscaling of the production capacity upon the delivery allowance from the FDA earlier this year. However, technical issues have caused a temporary postponement in the upscaling, thereby delaying the planned production volume in 2010. As a consequence, Bavarian Nordic will now deliver 2 million doses in 2010. Delivery of the remaining 18 million doses under the RFP-3 contract will occur from 2011 through 2013. The source of the problem has been identified and Bavarian Nordic has taken corrective actions to address the issues, whereupon the upscaling will be resumed.

As a consequence, the expectations for the financial result for the full year 2010 have been adjusted. Expected revenues are lowered from DKK 475 million to the level of DKK 325 million, and the result before tax is lowered from a loss of DKK 250 million to a loss in the level of DKK 450 million. The cash preparedness at year-end is expected to be in the level of DKK 250 million, which is in line with the previously guided range of DKK 225 million to DKK 275 million.

Highlights from the period

- **PROSTVAC™ regulatory path outlined, Fast Track granted by the FDA**
  During first half of 2010, the regulatory path for PROSTVAC™ was outlined as Bavarian Nordic in March concluded the Scientific Advice from the European Medicines Agency and the End of Phase II meeting with the FDA. In May, PROSTVAC™ was granted Fast Track status by the FDA.

- **IMVAMUNE® deliveries to the U.S. Strategic National Stockpile initiated**
  In May, Bavarian Nordic initiated the delivery of IMVAMUNE® smallpox vaccine to the U.S. Strategic National Stockpile. Under the RFP-3 contract with BARDA, Bavarian Nordic will deliver 20 million doses of IMVAMUNE®. To date, more than 1.4 million doses have been delivered, of which approximately 1.2 million doses were delivered and invoiced as of 30 June 2010.

Important events after the period

- **PROSTVAC™ Phase III clinical trial protocol submitted to the Special Protocol Assessment process**
  As planned, Bavarian Nordic has submitted the PROSTVAC™ Phase III clinical trial protocol to the Special Protocol Assessment (SPA) process with the FDA. Feedback is expected in second half of 2010.

- **The PROSTVAC™ production process is in place and technology transfer is being completed**
  Release of clinical trial material for the Phase III study is expected to occur during 2011, and this does not change the overall clinical trial and regulatory filing timeline.

- **Bavarian Nordic has received milestone payment of USD 25 million under the RFP-3 contract**
  The last milestone payment under the RFP-3 contract was received earlier than previously expected after completion of certain important milestones related to the development and deliveries of IMVAMUNE®. The payment of USD 25 million will be recognised as revenue in the financial statements upon completion of the contract.

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- **Cash preparedness significantly strengthened**
  Along with the milestone payment of USD 25 million, Bavarian Nordic's cash preparedness was further strengthened with the obtaining of a credit facility of DKK 100 million. Additionally, a financial covenant has been eliminated, adding further to the company's financial flexibility.

Anders Hedegaard, President & CEO commented on the interim report: "*The delivery allowance from the FDA and the subsequent initiation of deliveries of IMVAMUNE® smallpox vaccine to the U.S. Strategic National Stockpile under the contract with Biomedical Advanced Research and Development Authority (BARDA) in first half of 2010 represents a landmark event for Bavarian Nordic. The initiation of deliveries along with solid progress in the development of IMVAMUNE® triggered the next milestone payment of USD 25 million under the contract, which was received earlier than expected.*

We also made important advancements in the preparations for Phase III studies with PROSTVAC™, most recently with the submission of the clinical trial protocol to the Special Protocol Assessment process with the FDA. We see a still increasing interest for PROSTVAC™ amongst healthcare professionals, patients, investors and potential partners and we are working dedicated towards licensing of PROSTVAC™, which holds the potential to fulfil an unmet medical need for patients, who are currently left with very limited treatment options."

Conference call
The company will host a conference call today, Tuesday, August 31 at 2. p. m. CET. President and CEO, Anders Hedegaard will present the interim results followed by a Q&A session. Also attending are Reiner Laus, Executive Vice President & CEO of BN ImmunoTherapeutics, Ole Larsen, Executive Vice President & CFO and Rolf Sass Sørensen, Vice President Investor Relations & 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.

Contact
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Management's review

Pipeline

PIPELINE	Programme	Status	Next milestone
Cancer	PROSTVAC™	Phase II	Phase III (2011)
	Breast Cancer (MVA-BN®-HER2)	Phase I/II	Complete enrolment and initial immune data (2011)
	Prostate Cancer (MVA-BN® PRO)	Phase I/II	Complete treatment period (2010), final data (2011)
Biodefence	Smallpox (IMVAMUNE®)	Phase II	Initiate Phase III (2010/2011)
	Anthrax	Preclinical	Phase I (2011)
Infectious diseases	HIV *multiantigen*	Phase I/II	Identify partner for full Phase II
	Measles and RSV	Phase I	Phase I data (H2, 2010)

Cancer

PROSTVAC™ - prostate cancer vaccine candidate

Regulatory pathway outlined. SPA submitted to the FDA
During first half of 2010, the regulatory path for PROSTVAC™ was outlined as Bavarian Nordic in March concluded the Scientific Advice from the European Medicines Agency and the end of Phase II meeting with the FDA for the PROSTVAC™ programme. Both agencies expressed general agreement with the proposed Phase III clinical programme of PROSTVAC™. Based on the consolidated feedback Bavarian Nordic has assembled a clinical trial protocol which was recently submitted to the Special Protocol Assessment (SPA) process with the FDA. Feedback from FDA is expected in second half of 2010.

Bavarian Nordic is planning to achieve marketing approval for PROSTVAC™ via a single global, strongly powered clinical trial that is expected to enrol about 1,200 patients. The study will be placebo-controlled and enrol patients with asymptomatic or minimally symptomatic, metastatic castration-resistant prostate cancer (mCRPC).

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PROSTVAC™ granted Fast Track status

In May PROSTVAC™ was granted Fast Track designation by the FDA for its proposed use in the treatment of men with asymptomatic or minimally symptomatic mCRPC.

The FDA determined that PROSTVAC™ meets the criteria for Fast Track designation as it has demonstrated a potential survival benefit and an excellent safety profile in the intended patient population of men with asymptomatic or minimally symptomatic mCRPC. The potential of PROSTVAC™ to provide a survival benefit with minimal toxicity was based on results from the double-blind, randomized, placebo controlled Phase II trial in which 122 men with mCRPC were enrolled and evaluated.

The Fast Track programme of the FDA is designed to facilitate the development and expedite the review of new drugs that are intended to treat serious or life-threatening conditions and that demonstrate the potential to address unmet medical needs. Under Fast Track, Bavarian Nordic would also be eligible to submit a biologics license application (BLA) on a rolling basis. This permits the FDA to review sections of the BLA in advance of receiving the complete submission.

Phase III preparations

In preparation of phase III, Bavarian Nordic has signed an agreement with the company Pharmaceutical Product Development, Inc. (PPD), a leading global contract research organization for the management of the PROSTVAC™ Phase III study. Preparations for the trial are ongoing. Clinical trial centres are now being selected with first patients expected to be enrolled following final regulatory approvals and product availability during 2011. Key regulatory elements such as the SPA are expected to be finalised during 2010 whereas the final release of clinical trial material for the Phase III study is expected to occur during 2011. The overall clinical trial and regulatory filing timeline remains unchanged.

The production process is in place and the transfer of production technology is about to be finalised. The manufacturing will be based on the same technology used for production of clinical trial material for the Phase I and Phase II trials.

Partner for Phase III development and commercialisation

Bavarian Nordic is in ongoing discussions with a number of potential licensing partners for PROSTVAC™ and these are progressing according to plan.

Ongoing PROSTVAC™ studies

To date PROSTVAC™ has been tested on more than 570 patients in 18 clinical studies 13 of which have been completed, and 5, which are still in progress. The ongoing studies, all of which are conducted and sponsored by the National Cancer Institute, include:

- A Phase II study comparing the radioactive drug samarium with or without PROSTVAC™ therapy in 70 patients with metastatic prostate cancer. Clinical endpoint: 4 month progression free survival Enrolment is ongoing, with expected results in 2012.

- A Phase II study comparing antihormone therapy (flutamide) with or without PROSTVAC™ therapy in 70 patients with non-metastatic prostate cancer. Clinical endpoint: time to progression. Enrolment is ongoing, with expected results in 2012.

- A Phase II study investigating PROSTVAC™ in 50 patients with PSA progress after local therapy (surgery and/or radiation). Clinical endpoint: PSA progression at 6 months / PSA velocity. Second stage of trial that combines PROSTVAC with androgen ablation therapy is ongoing with results expected in the second half of 2010

- A Phase I dose-escalation, combination study with PROSTVAC™ and MDX-010 (CTLA-4 antibody) in 30 patients with metastatic prostate cancer. Clinical endpoint: Safety, PSA response, CT response. Enrolment has been completed with results expected in the second half of 2010.

- Phase I study investigating PROSTVAC™ by intra-prostatic injection in 20 patients with progressive or locally recurrent prostate cancer. Clinical endpoint: Safety, PSA response, immune response Enrolment has been completed with results expected in the second half of 2010.

MVA-BN®-HER2 breast cancer vaccine candidate

As planned, Bavarian Nordic has initiated a new Phase I/II study in the US with its breast cancer vaccine candidate, MVA-BN®-HER2. The study, which is currently recruiting, will evaluate the safety and immunological efficacy of the improved version of the vaccine in an adjuvant therapy setting in patients with HER2 positive breast cancer. Initial immune data from the study will be available during 2011.

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Biodefence

IMVAMUNE® - smallpox vaccine candidate
To-date, more than 3,200 individuals have been vaccinated with IMVAMUNE®, demonstrating a favourable safety profile including in individuals with compromised immune systems who are currently not eligible for conventional smallpox vaccines.

Deliveries to the U.S. Strategic National Stockpile initiated
In May, Bavarian Nordic initiated the delivery of IMVAMUNE® smallpox vaccine to the U.S. Strategic National Stockpile under the RFP-3 contract with BARDA to deliver 20 million doses of IMVAMUNE®. Deliveries were initiated upon notification from the FDA that all actions taken by the company to address the observations made during the inspection of the manufacturing facilities in 2009 had been accepted. Approximately 2 million doses of IMVAMUNE® were produced in advance of the delivery allowance. These were accepted for delivery and will be delivered during 2010. To date, more than 1.4 million doses have been delivered, of which approximately 1.2 million doses were delivered and invoiced as of 30 June 2010.

Change in delivery schedule
Upon the delivery allowance, Bavarian Nordic initiated a scale-up of the production in order to increase the production volume. However, technical issues in the initial upscaling process caused a temporary postponement in the production. The source of the problem has been identified and Bavarian Nordic has taken corrective actions to address the issues, whereupon the upscaling will be resumed. Additional workforce will be taken on and trained, whereupon the production volume gradually will increase.

This has caused a delay in the planned production of IMVAMUNE® in 2010, and Bavarian Nordic will deliver 2 million doses in 2010. As a consequence, the last deliveries under the base contract will take place in 2013.

The bulk vaccine produced during the initial scale up does not meet all the predefined specifications. As the vaccine does not qualify for delivery to the U.S. Strategic National Stockpile, the company has written off the inventory, amounted to DKK 39 million. The write-off, which has been done after the close of the period, is included in the adjusted financial guidance.

Performance-based milestone payment of USD 25 million received
The last milestone payment under the RFP-3 contract was received earlier than previously expected after completion of certain important milestones related to the development and deliveries of IMVAMUNE®. The payment will be recognised as revenue in the financial statements upon completion of the contract.

A contract modification which includes additional work has added USD 5 million to the total contract value, thus totalling USD 505 million of which USD 50 million is due upon licensure of the IMVAMUNE® and USD 150 million were already received in advance and milestone payments. USD 300 million is being invoiced pro rata with the vaccine deliveries.

Phase III protocols submitted to the FDA awaiting review
Based on the successful end of Phase II meeting for IMVAMUNE®, Bavarian Nordic has now, according to plan, submitted the final clinical and preclinical protocols for Phase III to the FDA. Once the protocols have been reviewed, a Vaccines Related Biological Product Advisory Committee (VRBPAC) will be scheduled by the FDA to ratify the license strategy. Upon their ratification, the Phase III trials can be initiated.

Supportive data published in scientific journals
IMVAMUNE® will be licensed under the animal rule (i.e. animal data to support the efficacy in humans), which requires investigations into the mechanism of action of the product. To this end, two papers have been published in 2010 that provide further data supporting the mechanisms of how IMVAMUNE® induces a post-exposure protection from a lethal infection with mouse pox (Lauterbach et al., 2010) and the underlying genetics of the attenuation properties of MVA-BN® (Meisinger-Henschel et al., 2010). A third manuscript (Baur et al., 2010) that has recently been published in the Journal of Virology has demonstrated that by using a new promoter to drive the expression of a gene inserted into MVA-BN®, this recombinant MVA-BN®-based vaccine could induce stronger immune responses to the encoded antigen than to MVA itself, following repeated vaccinations with the vaccine. This has clearly demonstrated that even in the presence of strong immune responses to MVA a recombinant MVA-BN®-based vaccine can stimulate stronger immune responses to a encoded gene, which obviously demonstrates the many advantages and future utility of MVA-BN® based vaccines for infectious diseases and cancer.

Baur K, Brinkmann K, Schweneker M, Pätzold J, Meisinger-Henschel C, Hermann J, Steigerwald R, Chaplin P, Suter M, Hausmann J. Immediate-Early Expression of a Recombinant Antigen by Modified Vaccinia Virus Ankara Breaks the Immunodominance of Strong Vector-Specific B8R Antigen in Acute and Memory CD8 T-Cell Responses. J Virol. 2010 84(17):8743-52.

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Lauterbach H, Kassub R, Pätzold J, Körner J, Brückel M, Verschoor A, Chaplin P, Suter M, Hochrein H. Immune requirements of post-exposure immunization with modified vaccinia Ankara of lethally infected mice. PLoS One. 2010. 11;5(3):e9659.

Meisinger-Henschel C, Späth M, Lukassen S, Wolferstätter M, Kachelrieß H, Baur K, Dirmeier U, Wagner M, Chaplin P, Suter M, Hausmann J. Introduction of the six major genomic deletions of modified vaccinia virus Ankara (MVA) into the parental vaccinia virus is not sufficient to reproduce an MVA-like phenotype in cell culture and in mice. J Virol. 2010 Jul 28.

MVA-BN® Anthrax
The development of an MVA-BN® based anthrax vaccine is proceeding satisfactorily with Phase I studies expected to commence in 2011.

Other issues

Bavarian Nordic awards warrants to certain employees
The Board of Directors in Bavarian Nordic A/S has today decided to award warrants to certain employees in the Company and its subsidiaries. The Board decision is made in accordance with the shareholder authorisation for the Board of Directors adopted as Article 5b of the Articles of Association and the Company's guidelines regarding incentive programs. The award is limited by and governed by the Danish Act on Options for Employees (the Stock Option Act/aktieoptionsloven) regarding termination of employment prior to exercise of warrants.

A total of 35,000 warrants are awarded for subscription of up to 35,000 shares of a nominal value of DKK 10 at an exercise price of DKK 259 per share. The exercise price is established as the average share price ("closing price") for the Company's share in a period of 15 business days prior to this day added a 15 % premium. However, the exercise price must at least be equal to the Company's average exchange-listed price today. In the event that the average exchange-listed price on the Company's shares today exceeds DKK 259 the exercise price shall be increased accordingly. If this becomes relevant the Company will make a separate announcement to NASDAQ OMX.

The warrants can be exercised wholly or partly in a period of 14 days commencing from the day of publication of the Company's Half Year Report for 2013, from the day of publication of the Company's Annual Report for 2013, from the day of publication of the Company's Half Year Report for 2014 and/or in a period of 14 days commencing from the day of publication of the Company's Annual Report for 2014.

The value of each warrant equals DKK 76 and is calculated on the Black-Scholes model with a risk-free interest rate of 0.8 per cent and on the historical volatility of the shares. The calculation is based on a market value of the share of DKK 223 per share.

The award of warrants will incur consequential amendments to the Articles of Association.

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Financial statement for the period (1 January – 30 June 2010, un-audited)

The comparison figures for the same period 2009 are stated in parenthesis.

Revenue in the period totalled DKK 175 million (DKK 33 million). The revenue derives mainly from the sale of IMVAMUNE® under the RFP-3 contract, DKK 116 million; reimbursement of security costs under RFP-3, DKK 29 million; revenue from the RFP-2 contract, DKK 26 million and revenue from the IMVAMUNE® freeze-dried contract, DKK 4 million.

The production costs totalled DKK 212 million (DKK 96 million). The production costs are higher due to cost of goods sold, DKK 67 million (DKK 0 million); costs due to contract work, DKK 40 million (DKK 23 million) and other production costs of DKK 105 million (DKK 73 million).

The Group's research and development costs totalled DKK 92 million (DKK 75 million) excluding development costs from the RFP-1, RFP-2 and freeze-dried contracts of DKK 21 million which are part of the contract work as classified under production costs.

Distribution costs totalled DKK 14 million (DKK 9 million) and administrative costs totalled DKK 46 million (DKK 48 million).

Income before tax is a deficit of DKK 179 million (deficit of DKK 188 million).

Net result in the first half of 2010 is a deficit of DKK 148 million (deficit DKK 149 million).

The IMVAMUNE® inventory totalled DKK 204 million (DKK 135 million). The write down of inventory as of 30 June 2010 is lower than compared to same period last year due to change in assessment of write down of stock at year end 2009. The IMVAMUNE® inventory is reduced by DKK 43 million compared to year end 2009. This is due to sales of goods, DKK 67 million and production output discarded in 2010, DKK 54 million.

As of 30 June 2010 the Group's cash preparedness is DKK 219 million (DKK 509 million). Cash flow from operations is negative with DKK 246 million (DKK -262 million). Cash flow from investment activities is negative with DKK 16 million (DKK 28 million) and cash flow from financing activities is DKK 283 million (DKK -7 million). The net change in cash and cash equivalents is positive with DKK 21 million (DKK -242 million).

A milestone payment under the RFP-3 contract of USD 25 million was invoiced at the end of May 2010. As of 30 June 2010 the payment is recognized fully as prepayments. Payment of the receivable has been received in the beginning of July.

The Group's equity as of 30 June 2010 is DKK 822 million (DKK 848 million). The right issue in first quarter 2010 increased the equity by DKK 302 million net after related costs.

Financial expectations

Due to the timing difference in deliveries under the RFP-3 contract, part of the expected revenue will be received later. However, the lower revenue in 2010 will be partly offset by higher revenue from other ongoing contracts.

For the full year 2010, expected revenues are lowered from DKK 475 million to the level of DKK 325 million, and the result before tax is lowered from a loss of DKK 250 million to a loss in the level of DKK 450 million. This includes all discarded batches. Revenue will primarily be generated from the delivery of 2 million doses 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®.

The cash preparedness at year-end is in line with previous guidance and is expected to be in the level of DKK 250 million, based on the recently received milestone payment of USD 25 million and the recent obtaining of a credit facility of DKK 100 million. Additionally, the financial flexibility has increased due the elimination of a financial covenant.

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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 2010.

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 2010 and the results of the group's activities and cash flows for the period 1 January to 30 June 2010.

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 2010

Corporate Management:

Anders Hedegaard
President and CEO

Board of Directors:

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

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.

About Bavarian Nordic
Bavarian Nordic A/S is a leading industrial 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 pipeline is focused in the three areas; cancer, biodefence 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

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Group Key Figures

(DKK million)	1/4-30/6 2010	1/4-30/6 2009	1/1-30/6 2010	1/1-30/6 2009	1/1-31/12 2009
	un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
Income statements					
Revenue	161.9	15.8	175.4	32.9	74.8
Production costs	149.1	55.4	212.2	96.4	140.1
Research & Development costs	51.5	39.3	91.7	75.1	164.0
Distribution costs	8.0	3.2	13.8	9.2	20.4
Administrative costs	24.4	24.7	45.8	47.6	91.5
Income before interest and taxes	(71.1)	(106.9)	(188.0)	(195.4)	(341.2)
Net financial income	8.0	2.0	9.2	7.6	10.0
Income before company tax	(63.1)	(104.9)	(178.8)	(187.8)	(331.1)
Result for the period	(55.4)	(82.8)	(148.2)	(149.1)	(266.3)
Balance sheet					
Total non-current assets			762.0	656.5	715.1
Total current assets			798.5	759.0	556.0
Total assets			1,560.5	1,415.5	1,271.1
Shareholders equity			822.3	847.6	704.2
Non-current liabilities			118.3	94.5	113.0
Current liabilities			619.9	473.4	453.9
Cash flow statements					
Net cash including bonds			198.8	488.7	185.0
Cash flow from operating activities			(246.2)	(262.2)	(484.1)
Cash flow from investment activities			(15.5)	27.5	26.1
Investment in tangible assets			(13.7)	(12.8)	(50.6)
Cash flow from financing activities			282.7	(7.1)	(30.8)
Financial Ratios (DKK) [1)]					
Earnings per share			(13.2)	(18.7)	(34.0)
PE, price/earnings ratio			69.0	108.3	88.6
Share price/Net assets value per share			3.2	1.7	1.6
Shareholders equity share			53%	60%	55%
Share price at end of the period			221	187	144
Numbers of outstanding shares at the end of the period, thousands			11,912	7,816	7,952
Number of employees, at the end of the period			381	356	354

[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 2005" from Finansanalytikerforeningen.

Notes
(stated in the end of this document):

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

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Income Statement

(DKK million)	Note	1/4-30/6 2010	1/4-30/6 2009	1/1-30/6 2010	1/1-30/6 2009	1/1-31/12 2009
		un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
Revenue	4	161.9	15.8	175.4	32.9	74.8
Production costs	5	149.1	55.4	212.2	96.4	140.1
Gross profit		**12.8**	**(39.6)**	**(36.8)**	**(63.5)**	**(65.3)**
Research and Development costs		51.5	39.3	91.7	75.1	164.0
Distribution costs		8.0	3.2	13.8	9.2	20.4
Administrative costs		24.4	24.7	45.8	47.6	91.5
Total operating costs		**83.9**	**67.2**	**151.2**	**131.9**	**275.9**
Income before interest and tax		**(71.1)**	**(106.9)**	**(188.0)**	**(195.4)**	**(341.2)**
Financial income		18.5	8.9	25.9	18.2	17.8
Financial expenses		10.5	6.9	16.7	10.6	7.8
Income before company tax		**(63.1)**	**(104.9)**	**(178.8)**	**(187.8)**	**(331.1)**
Tax on income for the period		7.7	22.1	30.6	38.7	64.9
Net profit for the period		**(55.4)**	**(82.8)**	**(148.2)**	**(149.1)**	**(266.3)**
Distribution of result						
Parent Company´s part of the result		(55.4)	(81.3)	(148.2)	(146.2)	(266.3)
Minority Interest		-	(1.5)	-	(2.9)	-
		(55.4)	**(82.8)**	**(148.2)**	**(149.1)**	**(266.3)**
Earnings per share (EPS) - DKK						
-basic earnings per share of DKK 10		(4.6)	(10.4)	(13.2)	(18.7)	(34.0)
-diluted earnings, per share of DKK 10		(4.6)	(10.4)	(13.2)	(18.7)	(34.0)

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Statement of comprehensive income

(DKK million)	1/4-30/6 2010	1/4-30/6 2009	1/1-30/6 2010	1/1-30/6 2009	1/1-31/12 2009
	un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
Net profit for the period	**(55.4)**	**(82.8)**	**(148.2)**	**(149.1)**	**(266.3)**
Exchange rate adjustments	(5.8)	0.1	(10.1)	1.6	1.4
Fair value of financial investments	(26.0)	8.3	(43.0)	(31.7)	(27.2)
Tax effect on total income	6.4	(2.1)	10.7	7.9	6.8
Other comprehensive income after tax	**(25.4)**	**6.3**	**(42.4)**	**(22.2)**	**(19.0)**
Total comprehensive income	**(80.8)**	**(76.5)**	**(190.6)**	**(171.3)**	**(285.2)**
Distribution of comprehensive result					
Parent Company´s part of the result	(80.8)	(74.9)	(190.6)	(168.6)	(285.2)
Minority Interest	-	(1.6)	-	(2.7)	-
	(80.8)	**(76.5)**	**(190.6)**	**(171.3)**	**(285.2)**

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Statement of financial position

(DKK million)	Note	30/6 2010	30/6 2009	31/12 2009
		un-audited	*un-audited*	*audited*
Assets				
Purchased rights		9.1	9.4	8.8
Software		17.9	17.6	15.9
Assets under construction	3	104.6	83.1	102.1
Intangible assets		**131.6**	**110.0**	**126.8**
Land and buildings		169.5	153.8	150.9
Leasehold improvements		2.2	1.0	2.3
Plant and machinery		132.0	157.8	144.7
Machinery, equipment and furniture		16.4	13.8	14.4
Assets under construction		27.7	12.9	42.0
Tangible assets		**347.8**	**339.4**	**354.5**
Other financial non-current assets		0.3	0.2	0.2
Financial assets		**0.3**	**0.2**	**0.2**
Deferred tax assets		**282.3**	**206.8**	**233.6**
Non-current assets		**762.0**	**656.5**	**715.1**
Inventories	**6**	**203.7**	**134.7**	**246.5**
Trade receivables		296.5	11.7	15.1
Other receivables	7	8.6	37.0	31.4
Pre-payments and accrued income		90.9	86.9	78.0
Receivables		**396.0**	**135.6**	**124.5**
Securities		96.0	160.7	104.0
Cash and cash equivalents		102.8	328.1	81.0
Current assets		**798.5**	**759.0**	**556.0**
Assets		**1,560.5**	**1,415.5**	**1,271.1**
Equity and liabilities				
Share capital		119.1	78.2	79.5
Retained earnings		711.4	741.9	590.7
Other reserves		(8.2)	26.6	34.0
Equity, parent company		**822.3**	**846.6**	**704.2**
Equity, minority interest		-	1.0	-
Equity		**822.3**	**847.6**	**704.2**
Other provisions		11.1	-	11.1
Credit institutions		107.2	94.5	101.9
Non-current liabilities		**118.3**	**94.5**	**113.0**
Other provisions		-	-	-
Credit institutions		12.1	33.2	16.9
Prepayment from customer		411.9	276.6	276.6
Accounts payable		59.6	49.6	48.0
Company tax		1.3	1.2	0.1
Other debts	8	135.0	112.8	112.3
Current liabilities		**619.9**	**473.4**	**453.9**
Liabilities		**738.2**	**567.9**	**566.9**
Total liabilities and shareholders´ equity		**1,560.5**	**1,415.5**	**1,271.1**

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Statement of cash flow

(DKK million)	1/1 - 30/6 2010	1/1 - 30/6 2009	1/1 - 31/12 2009
	un-audited	*un-audited*	*audited*
Income before interest and tax	**(188.0)**	**(195.4)**	**(341.2)**
Depreciations	25.4	23.9	50.1
Share-based payment	6.9	3.8	7.6
Changes in inventories	42.8	(72.5)	(184.3)
Changes in receivables	(271.4)	(44.8)	(30.3)
Changes in provisions	-	-	-
Changes in current liabilities	119.6	27.6	(3.7)
Cash flows from operating activities before financial items	**(264.7)**	**(257.3)**	**(501.6)**
Financial income	25.9	18.2	28.3
Financial expenses	(5.9)	(25.5)	(7.9)
Paid taxes during the year	(1.5)	2.4	(3.0)
Cash flow from operating activities	**(246.2)**	**(262.2)**	**(484.1)**
Investments in intangible assets	(9.2)	(25.1)	(45.5)
Investments in tangible assets	(13.7)	(12.8)	(50.6)
Investments in financial assets	(0.6)	-	-
Investments in securities	8.0	65.5	122.1
Cash flow to investment activities	**(15.5)**	**27.5**	**26.1**
Payment on mortgage and bank debt	(3.8)	(0.7)	(70.0)
Payment on leasing liabilities	(6.6)	(6.4)	(12.9)
Proceeds through financial commitments	-	-	68.0
Repurchase of stock options in subsidiary	(3.6)	-	(15.9)
Proceeds through issue of new shares	316.8	-	-
Cost related to issue of new shares	(20.1)	-	-
Cash flow from financing activities	**282.7**	**(7.1)**	**(30.8)**
Net changes in cash and cash equivalents	**21.0**	**(241.8)**	**(488.8)**
Cash and cash equivalents, 1 January	81.0	569.8	569.8
Currency adjustments, 1 January	0.8	-	-
Cash and cash equivalents, end of period	**102.8**	**328.0**	**81.0**
Securities - highly liquid bonds	96.0	160.7	104.0
Trusted/pledged funds	-	-	-
Credit lines	20.0	20.0	20.0
Cash preparedness	**218.8**	**508.7**	**205.0**

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Statement of changes in equity - Group

(DKK million)	Share capital	Retained earnings	Reserves for adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity parent company	Equity minority	Equity group
Shareholders equity as of 1 January 2010	**79.5**	**590.7**	**4.2**	**10.7**	**19.2**	**704.2**	**-**	**704.2**
Comprehensive income for the period								
Net profit	-	(148.2)	-	-	-	(148.2)	-	(148.2)
Other comprehensive income								
Exchange rate adjustments	-	-	(10.1)	-	-	(10.1)	-	(10.1)
Fair value of financial investments entered into to hedge future cash flow	-	-	-	(32.3)	-	(32.3)	-	(32.3)
Total comprehensive income for the period	**-**	**(148.2)**	**(10.1)**	**(32.3)**	**-**	**(190.6)**	**-**	**(190.6)**
Transactions with owners								
Share-based payment	-	-	-	-	6.9	6.9	-	6.9
Warrants programme expired	-	6.8	-	-	(6.8)	-	-	-
Issue of new shares	39.6	277.2	-	-	-	316.8	-	316.8
Cost related to issue of new shares	-	(20.1)	-	-	-	(20.1)	-	(20.1)
Tax on transactions in equity	-	5.0	-	-	-	5.0	-	5.0
Total transactions with owners	**39.6**	**268.9**	**-**	**-**	**0.1**	**308.6**	**-**	**308.6**
Shareholders equity as of 30 June 2010	**119.1**	**711.4**	**(5.9)**	**(21.6)**	**19.3**	**822.3**	**-**	**822.3**

(DKK million)	Share capital	Retained earnings	Reserves for adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity parent company	Equity minority	Equity group
Shareholders equity as of 1 January 2009	**78.2**	**888.1**	**2.8**	**31.0**	**11.3**	**1,011.4**	**3.7**	**1,015.1**
Comprehensive income for the period								
Net profit	-	(146.2)	-	-	-	(146.2)	(2.7)	(148.9)
Other comprehensive income								
Exchange rate adjustments	-	-	1.4	-	-	1.4	-	1.4
Fair value of financial investments entered into to hedge future cash flow	-	-	-	(23.8)	-	(23.8)	-	(23.8)
Total comprehensive income for the period	**-**	**(146.2)**	**1.4**	**(23.8)**	**-**	**(168.6)**	**(2.7)**	**(171.3)**
Transactions with owners								
Share-based payment	-	-	-	-	3.8	3.8	-	3.8
Total transactions with owners	**-**	**-**	**-**	**-**	**3.8**	**3.8**	**-**	**3.8**
Shareholders equity as of 30 June 2009	**78.2**	**741.9**	**4.2**	**7.3**	**15.1**	**846.6**	**1.0**	**847.6**

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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 2009 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 2009 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 2009, 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).

(DKK million)	1/4-30/6 2010	1/4-30/6 2009	1/1-30/6 2010	1/1-30/6 2009	1/1-31/12 2009
	un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
4. Revenue					
RFP-3 IMVAMUNE sales	115.9	-	115.9	-	-
Contract income	46.0	15.8	59.6	32.9	68.0
Product sales	-	-	-	-	6.8
Revenue	**161.9**	**15.8**	**175.4**	**32.9**	**74.8**
5. Production costs					
RFP-3 IMVAMUNE sales	66.6	-	66.6	-	-
RFP-3 development costs	1.1	0.6	0.6	0.7	(0.0)
Contract costs	31.8	9.4	40.1	23.0	45.5
Product sales	-	-	-	-	2.6
Other production costs	49.6	45.4	104.9	72.7	92.0
Production costs	**149.1**	**55.4**	**212.2**	**96.4**	**140.1**

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(DKK million)	30/6 2010	30/6 2009	31/12 2009
	un-audited	*un-audited*	*audited*
6. Inventories			
Raw materials and supply materials	19.0	20.3	22.9
Work in progress	194.3	181.3	236.7
Manufactured goods and commodities	21.8	-	20.8
Write-down on inventory	(31.4)	(66.9)	(33.9)
Raw materials and supply materials	**203.7**	**134.7**	**246.5**
Write-down on inventory recognised under production costs	(36.5)	(33.1)	(9.5)
Reversal of write-down recognised under production costs	39.0	8.9	18.5
7. Other receivables			
Financial instruments to fair value	-	12.7	-
Other receivables	8.6	24.4	31.4
Total	**8.6**	**37.0**	**31.4**
8. Other debts			
Financial instruments to fair value	53.6	-	9.7
Other receivables	81.4	112.8	102.6
Total	**135.0**	**112.8**	**112.3**

9. 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 2009.

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10. 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	75,837	14,594	30,000	-	-	(18,885)	-	101,546
CEO & President	70,000	13,475	20,000	-	-	-	-	103,475
Group Management	217,515	41,864	90,000	-	-	(56,660)	-	292,719
Other employees	332,592	63,971	130,000	-	-	(58,535)	(18,482)	449,546
Retired employees	46,396	8,929	-	-	-	(31,476)	18,482	42,331
Total	**742,340**	**142,833**	**270,000**	**-**	**-**	**(165,556)**	**-**	**989,617**

Numbers of warrants which can be exercised as of 30 June 2010	-

The warrants, which were granted to the company's Board of Directors and staff in August 2006 have expired in the 1st quarter of 2010, without the programme being exercised.

The warrant programme has 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 programme for 2007, 2008 and 2009 are adjusted regarding these rules as a result of the Rights Issue in February 2010 as shown in the above table.

In accordance with IFRS 2 an incremental fair value has been calculated based on the adjustment, see the table below. The total value amounted to DKK 10.0 million and will be expensed over the period from the date of issue until the date when the warrant programmes vest. In first half of 2010 USD 1.8 million of the incremental fair value has been expensed. The total recognized cost of the warrant programmes was USD 6.9 million in first half of 2010 (2009: USD 3.8 million).

2010 programmes
In May 2010 the Board of Directors decided to award warrants to management, certain employees in the Company and its subsidiaries and the Board of Directors. A total of 270,000 warrants were awarded for subscription of up to 270,000 shares of a nominal value of DKK 10 at an exercise price of DKK 291 per share. The value of each warrant equals DKK 72, calculated based on the Black-Scholes parameters shown in the below table. The total cost of the warrant programme is DKK 19.4 million, which will be expensed over 3 years.

Specification of parameters for BlackScholes model	**2007**	**2008**	**March 2009**	**December 2009**	**2010**
Before Rights Issue:					
Average share price (DKK) at date of issue	161	161	161	161	
Average share exercise price (DKK)	549	156	124	184	
Expected volatility rate	58%	58%	58%	58%	
Expected life, number of years (maturity at date of issue)	0.6	2.8	3.2	3.9	
Expected dividend per share	-	-	-	-	
Risk-free interest rate	2.00%	2.00%	2.00%	2.00%	
The fair value of the warrants at date of issue	-	52	70	57	
After Rights Issue:					
Average share price (DKK) at date of issue	161	161	161	161	213
Average share exercise price (DKK)	460	131	104	154	291
Expected volatility rate	58%	58%	58%	58%	63%
Expected life, number of years (maturity at date of issue)	0.6	1.8	2.2	2.9	3.0
Expected dividend per share	-	-	-	-	-
Risk-free interest rate	2.00%	2.00%	2.00%	2.00%	2.00%
The fair value of the warrants at date of issue	-	62	80	66	72

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

Phantom shares
In March 2010 the Company established a three-year phantom share programme under which all employees in the Bavarian Nordic Group receive up to three phantom shares per month free of charge during the period from 1 April 2010 to 31 March 2013. Each employee who is a full-time employee during the entire term of the plan will be eligible to receive a maximum of 108 phantom shares.

Upon expiry of the programme in 2013 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 on the company's shares. The exercise of phantom shares is conditional on the price of the Company's shares being at least 10% higher at the time of exercise than the exercise price determined at 248. Recognition of the programme started in second quarter of 2010.

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