Company Announcement

16 May 2013

# Bavarian Nordic – Interim Financial Report for the Period 1 January to 31 March 2013

**KVISTGAARD, Denmark, May 16, 2013** – Bavarian Nordic A/S (OMX: BAVA) today publishes its first quarter 2013 results. Revenue for the period was DKK 206 million (2012: DKK 168 million) and the result before tax was a loss of DKK 41 million (2012: DKK 35 million loss). The Infectious Disease division remains profitable with an EBIT of DKK 38 million in the period (2012: DKK 47 million). After receiving payments related to the new delivery contract, awarded by the U.S. Government in April 2013, the cash preparedness was DKK 694 million at the beginning of May 2013, including unutilized credit lines of DKK 120 million. The company has research and delivery contracts with the U.S. Government of which payments of USD 393 million (approx. DKK 2.2 billion) remain by the reporting date. The company maintains its 2013 full-year expectations with revenues in the level of DKK 1,100 million and a break-even result before tax. The cash preparedness at year-end is expected to be roughly DKK 600 million.

Group key figures are found at the end of this announcement. The full financial statements for the first quarter 2013 can be downloaded from the Company's website: www.bavarian-nordic.com.

## Highlights from the period and up to the reporting date

- The Company received a new contract valued up to USD 228 million from the U.S. Government for the continued production and deliveries of IMVAMUNE® smallpox vaccine
- 1.6 million doses of IMVAMUNE® delivered to the U.S. during first quarter
- The first of two Phase 3 studies of IMVAMUNE® was initiated in the U.S.
- A Phase 2 study to support emergency use of the freeze-dried version of IMVAMUNE® was initiated
- Consolidation of manufacturing activities has begun at the facility in Kvistgaard, Denmark
- An interim analysis plan for the Phase 3 PROSPECT trial of PROSTVAC® was agreed with the FDA
- James Breitmeyer was appointed new President of the Cancer Vaccines Division

Anders Hedegaard, President & CEO commented: *"2013 has so far been a great year for Bavarian Nordic as we have accomplished a number of significant results. Our new, large contract with the U.S. Government ensures our production for the next years and provides a good foundation for the infectious disease division to remain profitable. Concurrently, the development of IMVAMUNE® has witnessed significant progress. We have both initiated the Phase 3 registration study with the current version of the vaccine as well as a pivotal Phase 2 study with the freeze-dried version. As part of the consolidation of our manufacturing activities we will soon be expanding our facility in Denmark to accommodate the future commercial production of PROSTVAC®, The Phase 3 trial of PROSTVAC® progresses with a new man at the helm in the cancer vaccine division and we have reached an agreement with the FDA to conduct an interim analyses of the trial, which may shorten the development time."*

## Selected upcoming milestones

- Deliver 7 million doses of IMVAMUNE® to the U.S. Strategic National Stockpile in 2013
- Complete enrolment in the first IMVAMUNE® Phase 3 trial (lot consistency)
- Initiate Phase 3 non-inferiority trial of IMVAMUNE®
- Potential marketing authorization for IMVANEX® (IMVAMUNE®) in the EU
- Potential marketing authorization for IMVAMUNE® in Canada
- Initiate Phase 2 combination studies of PROSTVAC® and enzalutamide (hormone therapy)



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- Report data from NCI-sponsored clinical trials of PROSTVAC®
- Determine development strategy for CV-301
- Expand CRADA with NCI for new cancer targets

**Contact**
Anders Hedegaard, President & CEO. Phone +45 23 20 30 64

**Webcast and conference call**
The Company will host a conference call today at 2.00 pm CET (8.00 am EDT). President and CEO, Anders Hedegaard will present the interim results followed by a Q&A session with participation of the Company's executive management. Dial-in numbers for the conference call are: Denmark: +45 32 72 80 18, UK: +44 (0) 844 571 8957, USA: +1 866 682 8490. A webcast of the conference call will be broadcast simultaneously at www.bavarian-nordic.com/webcast. On this page, the accompanying presentation will be available prior to the conference call.

**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 pipeline targets cancer and infectious diseases, and includes ten development programs. In oncology, the company's lead program is PROSTVAC®, a therapeutic vaccine candidate for advanced prostate cancer that is the subject of an ongoing pivotal Phase 3 clinical trial and is being developed under a collaboration agreement with the National Cancer Institute. In clinical Phase 1 and Phase 2 trials, PROSTVAC® has been tested in nearly 600 patients. In infectious diseases, the company's lead program is IMVAMUNE®, a non-replicating smallpox vaccine candidate that is being developed and supplied for emergency use to the U.S. Strategic National Stockpile under a contract with the U.S. Government. IMVAMUNE® is currently in clinical Phase 3 development and marketing authorization applications have been filed in EU and Canada. For more information, visit www.bavarian-nordic.com

**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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## Cancer Vaccine Division

*Cancer vaccine pipeline*

| Indication | Program | Status |
|---|---|---|
| Prostate cancer | PROSTVAC® | Phase 3 |
| Breast cancer | CV-301 breast | Phase 2 |
| Lung cancer | CV-301 lung | Phase 1 |
| Ovarian cancer | CV-301 ovarian | Phase 1 |
| Prostate cancer | MVA-BN® PRO | Phase 1/2 |
| Breast cancer | MVA-BN®-HER2 | Phase 1/2 |

The cancer pipeline is focused on the development of novel cancer immunotherapies designed to treat major cancers with high unmet medical needs or where current treatments have significant limitations.

Targeted immunotherapy for the treatment of cancer is part of a growing field in cancer research, with the objective to harness the natural power of the immune system to fight disease.

The objective is to produce a strong, tumor-specific response from the immune system in order to slow the progress of the disease, increase overall survival, and help to maintain or improve the quality of life of patients - without the side effects associated with many traditional chemotherapies and hormonal therapies.

In addition to our MVA-BN® based product candidates, Bavarian Nordic has in-licensed two product candidates (PROSTVAC® and CV-301), that are being developed under cooperative research and development agreements (CRADAs) with the National Cancer Institute (NCI).

Both PROSTVAC® and CV-301 are prime-boost vaccines sequentially combining two different poxviruses (vaccinia and fowlpox). Collectively, these two product candidates, along with earlier generations of these vaccines, have been the subject of over 30 clinical trials with more than 1,100 patients actively treated for prostate, breast, lung, colorectal, gastric, pancreatic, ovarian and other cancers. These extensive clinical studies suggest that the product candidates are well-tolerated with the ability to induce specific immune responses directed against the relevant tumor-associated antigens.

### PROSTVAC® - prostate cancer immunotherapy candidate

PROSTVAC® (PSA-TRICOM) is a prostate cancer immunotherapy candidate, currently in Phase 3 development for the treatment of patients with metastatic castration-resistant prostate cancer (mCRPC). Concurrently, PROSTVAC® is being investigated in NCI-sponsored clinical trials in different settings. In 19 ongoing and completed clinical Phase 1 and Phase 2 trials, more than 600 patients have been treated with the immunotherapy candidate, which has been well-tolerated. A large randomized, placebo-controlled Phase 2 trial demonstrated the ability of PROSTVAC® to extend the median overall survival by 8.5 months in patients with advanced prostate cancer, leading to the initiation of a confirmatory Phase 3 trial (PROSPECT). Other clinical trials of PROSTVAC® in combination with radiation, hormonal therapy or chemotherapy, either concomitantly or sequentially, have indicated potential synergies for these treatment combinations.

#### The PROSPECT trial

The PROSPECT trial was initiated in the USA in November 2011. During 2012, trial sites were also opened throughout Europe and Canada. This global randomized, double-blind, placebo-controlled study is expected to enroll 1,200 patients with asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer.



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Enrollment in the trial is currently ongoing at 120 sites in 11 countries, and continues to expand into new countries and sites. As previously communicated, the initiation of new sites has been delayed due to a lengthier and more arduous regulatory process than anticipated in certain countries. Bavarian Nordic has responded to this delay by implementing a number of measures, aimed at completing enrollment in first half of 2014.

In April 2013, the Company and the FDA agreed on an updated statistical analysis plan for the trial. The plan includes pre-specified interim analyses of data that will be performed to evaluate whether the trial should continue as planned or potentially be stopped early for efficacy. In such case, a Biologics License Application may be filed at an earlier stage, potentially shortening the overall development time.

The clinical trial is being conducted under a Special Protocol Assessment (SPA) agreement with the U.S. Food and Drug Administration (FDA).

Study design
PROSPECT is a three-arm study. Patients in the two active study arms will receive either PROSTVAC® alone or PROSTVAC® with adjuvant doses of GM-CSF (which was included in the Phase 2 clinical trial). Patients who have metastatic disease and have failed hormone therapy but who have not yet received other treatment options such as chemotherapy will be eligible to enroll in the study. The primary endpoint is overall survival (OS). For the study outcome to be positive, either one or both of the treatment arms must demonstrate a better overall survival than placebo.

For more information about the trial, visit the following websites:
Professionals: http://clinicaltrials.gov/ct2/show/NCT01322490
Patients: http://www.continueyourfight.com

**Other PROSTVAC® clinical trials**

PROSTVAC® is currently the subject of two NCI-sponsored clinical studies in different settings, evaluating the vaccine in combination with other therapies.

One study is a Phase 2 clinical study comparing flutamide (anti-androgen therapy) with or without PROSTVAC®, planned to enroll a total of 65 patients with non-metastatic prostate cancer. Results from 41 patients indicate an improvement in time to progression (TTP) for those patients receiving PROSTVAC® in combination with flutamide (median TTP = 192 days) compared to flutamide alone (median TTP = 108 days).

The second study is a Phase 2 clinical trial in 50 patients with PSA progress after local therapy (surgery and/or radiation). 19 patients continued to the second stage of the trial that combines PROSTVAC® with androgen ablation therapy.

NCI have planned two new clinical Phase 2 studies combining PROSTVAC® with Xtandi® (enzalutamide) – a hormonal therapy that was approved by the FDA in 2012. The studies, both planned for initiation in the summer 2013, will randomize patients to receive enzalutamide with PROSTVAC® treatment or enzalutamide only. The first study will enroll 72 patients with metastatic castration-resistant prostate cancer. The primary endpoint is progression-free survival. The second study will enroll 34 patients with non-metastatic castration sensitive prostate cancer. The primary endpoint will be based on PSA kinetics (tumor re-growth rate after enzalutamide discontinuation).

**Bavarian Nordic at the 2013 ASCO Annual Meeting**

Two abstracts have been accepted for the American Society of Clinical Oncology (ASCO) Annual Meeting on May 31-June 4, 2013 in Chicago, Illinois, covering clinical safety data for PROSTVAC®, and the rationale for and design of the two new studies of PROSTVAC® given in combination with enzalutamide.

In connection with the conference, Bavarian Nordic will also be hosting a PROSTVAC® update and reception on Saturday, June 1, 2013 in Chicago, Illinois. Speakers include James L. Gulley, M.D., Ph.D., Director of the Clinical Trials Group at the Laboratory of Tumor Immunology and Biology at the National Cancer Institute (NCI)



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and principal investigator for the PROSPECT trial, Neal Shore, M.D., Carolina Urologic Research Center and James Breitmeyer, M.D., Ph. D. and President of the Cancer Vaccines division of Bavarian Nordic. To register for this event, or for more information, please contact Mette Buhl of Bavarian Nordic via email at mette.buhl@bavarian-nordic.com or by phone at +45 33 28 83 00.

## CV-301 – an immunotherapy candidate targeting multiple cancers

CV-301 (CEA-MUC-1-TRICOM) is an immunotherapy candidate for the treatment of multiple cancers. It originates from the same poxvirus technology platform as PROSTVAC®. While PROSTVAC® incorporates a single antigen over-expressed in prostate cancer (PSA), CV-301 incorporates two antigens (CEA and MUC-1) that are over-expressed in other major cancers, including breast, lung, and ovarian, which makes CV-301 potentially applicable in various cancers.

CV-301 has been the subject of 16 ongoing or completed NCI-sponsored clinical trials in different cancers (breast, lung, ovarian and other cancers) and more than 500 patients have been treated with the vaccine.

Promising data from a randomized Phase 2 trial of CV-301 in 48 patients with metastatic breast cancer were presented at the ESMO 2012 Congress. The study enrolled 48 patients to receive CV-301 in combination with docetaxel or docetaxel alone. The preliminary analysis of the study showed progression-free survival of 6.6 months in the CV-301 group versus 3.8 months among those receiving docetaxel alone (HR=0.67, p=0.12). The clear separation of the curves indicates potential clinical benefit.

Upon an assessment of the overall data generated for CV-301 to-date, Bavarian Nordic will determine the future development strategy for CV-301 as part of an overall assessment of the cancer vaccine portfolio, which is expected in fourth quarter of 2013. Concurrently, the company is working to improve the CV-301 technology, through the design of new vaccine constructs based on the MVA-BN® technology.

Also, the company expects to expand the collaboration with NCI to include a license for CV-301 for additional cancer targets.

## MVA-BN®-based cancer immunotherapy candidates

Two cancer immunotherapy candidates utilizing the MVA-BN® vector in a homologous prime-boost vaccination protocol to target cancer specific antigens have been investigated in clinical trials: MVA-BN® PRO for prostate cancer and MVA-BN® HER2 for breast cancer. As part of the planned overall assessment of the cancer portfolio, the future development strategy for the MVA-BN® based product candidates will be determined.

### MVA-BN® PRO data presented at the 2013 Genitourinary Cancers Symposium

Data from a Phase 1 clinical trial of MVA-BN® PRO were featured in a poster at the 2013 Genitourinary Cancers Symposium on February 14-16, 2013 in Orlando, Florida.

In this open label Phase 1 dose escalation multi-center trial, MVA-BN® PRO, which is designed to express sequences that control immunity to prostate specific antigen (PSA) and Prostatic Acid Phosphatase (PAP), was administered to twenty-four subjects with non-metastatic castration-resistant prostate cancer.

MVA-BN® PRO was well-tolerated across all dose regimens and no dose-limiting toxicities or severe adverse events were reported. The preliminary study results indicate MVA-BN® PRO may have the ability to induce a tumor-specific immune response that may play a role in reducing disease progression.



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## Infectious Disease Division

*Biodefense pipeline*

| Indication | Program | Status |
|---|---|---|
| Smallpox | IMVAMUNE® *liquid-frozen* * | Phase 3 |
| Smallpox | IMVAMUNE® *freeze-dried* | Phase 2 |
| Anthrax | MVA-BN® Anthrax | Preclinical |
| Filoviruses | MVA-BN® Filo | Preclinical |
| Foot-and-mouth disease | MVA-BN® FMDV | Preclinical |

*Commercial pipeline*

| | | |
|---|---|---|
| Respiratory syncytial virus | MVA-BN® RSV | Preclinical |

** Sold to government stockpiles*

The successful, long-term partnership with the U.S. Government on the development of a non-replicating smallpox vaccine, IMVAMUNE® (MVA-BN®) is a key driver for the infectious disease division, which has been delivering the vaccine for the U.S. Strategic National Stockpile (SNS) for emergency use since 2010. Contracts with the U.S. Government for the development and supply of IMVAMUNE® awarded to date exceed USD 1 billion, including contract awards to advance the development of Bavarian Nordic's vaccine technology, MVA-BN® as a broad platform for the development of biological countermeasures.

Ongoing contracts include:

- A USD 549 million contract (RFP-3) for the development, licensing, and delivery of 20 million doses of IMVAMUNE® to the SNS. Awarded in 2007 by the U.S. Department of Health and Human Services (HHS).
- A USD 228 million contract for the delivery of 8 million doses of IMVAMUNE® to the SNS. Awarded in April 2013 by the Biomedical Advanced Research and Development Authority (BARDA).
- A USD 95 million contract for the development of a freeze-dried version of IMVAMUNE®. Awarded in 2009 by BARDA.
- A USD 18 million contract to support the advanced development of candidate vaccine components and technologies that accelerate the immune response for use in post-event settings following the intentional release of pathogens that are considered a threat to public health. Awarded in 2012 by National Institutes of Allergy and Infectious Diseases.
- A USD 1 million contract for the development of an MVA-BN®-based animal vaccine against Foot-and-mouth disease virus. Awarded in 2012 by the U.S. Department of Homeland Security Science and Technology Directorate (DHS).

The above listed contracts total USD 891 million, of which Bavarian Nordic has received USD 499 million as of May 31, 2013, after which USD 392 million remains to be received. Furthermore, USD 1 million remains to be received under the RFP-2 contract of a total value of USD 116 million. This contract is not included above.

**IMVAMUNE® - smallpox vaccine candidate**

New delivery contract awarded by the U.S. Government

In April, Bavarian Nordic received a new contract valued up to USD 228 Million from the U.S. Government for the continued supply of IMVAMUNE®. This contract succeeds the initial 20 million dose order, which will be completed later this year.

The first USD 110 million of the new order is secured, and the remaining portion will be secured based on availability of funds in 2014. Under the agreement, advanced payments of additional USD 37 million will be received, associated with the delivery of the initial 20 million dose order.



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The cash flow of up to USD 228 million from the new contract consists of:

- Four performance-based milestone payments in 2013 totaling USD 20 million, triggered by the production of bulk vaccine for the first 4 million doses
- Deliveries in 2013 of USD 29 million, after which deliveries of USD 151 million remain
- Other income in 2013 and 2014 from miscellaneous services totaling USD 28 million

The entire contract value will be recognized pro rata with the deliveries.

Deliveries to the U.S. Strategic National Stockpile
During the first quarter of 2013, Bavarian Nordic delivered 1.6 million doses of IMVAMUNE® to the SNS and as of March 31, 2013, 4 million doses remain for delivery under the original contract for 20 million doses. Upon completion of deliveries under this contract later in 2013, deliveries under the new contract will be initiated.

Future IMVAMUNE® orders
Bavarian Nordic is well positioned for future delivery contracts with the U.S. Government beyond the current contracts. Through the award of the contract to develop a freeze-dried formulation of IMVAMUNE®, the U.S. Government has signaled its strong desire to develop a potentially improved formulation of IMVAMUNE® to the stage that the vaccine can be procured and stockpiled for emergency use in the SNS. A Phase 2 study designed to meet the emergency use requirements was initiated in May 2013 with data anticipated in 2016. Until then, Bavarian Nordic expects to receive additional orders for IMVAMUNE® in its current formulation.

Recent developments yet again confirm the positive, long-term partnership with the U.S. Government and their intention to maintain and further develop their bioterrorism preparedness:

In March 2013, the Pandemic and All-Hazards Preparedness Reauthorization Act of 2013 was signed into law in the U.S. This new law continues and improves key biodefense programs that support companies engaged in research, development, and manufacture of medical countermeasures, including vaccines. It demonstrates the U.S. government's continued commitment to develop and purchase medical products to protect the American people from a terrorist attack or other public health emergency.

Furthermore, in the new delivery contract, awarded in April 2013, the U.S. Government stipulates that it intends to maintain the U.S. stockpile of IMVAMUNE® and the necessary manufacturing capacity through future orders, pending the availability of future funding.

Phase 3 clinical development of IMVAMUNE®
To support the licensure of IMVAMUNE® in the U.S., two Phase 3 studies have been agreed upon with the FDA; a lot consistency study in 4,000 healthy individuals and a study in 440 military personnel, designed to demonstrate non-inferiority between IMVAMUNE® and the current U.S. licensed smallpox vaccine.

The first Phase 3 trial was initiated in March 2013. A total of 3,000 people will be vaccinated with three different lots of IMVAMUNE® (1,000 subjects per IMVAMUNE® lot) and the safety compared with 1,000 additional subjects receiving placebo.

The second Phase 3 study is expected to be initiated during 2013 once a suitable military site for the study has been selected.

While Bavarian Nordic proceeds with the clinical trials, the overall licensing package, including the supporting animal data, will have to be agreed on with the agency and later ratified by a Vaccines-Related Biological Product Advisory Committee (VRBPAC).

IMVAMUNE® licensure pending in EU and Canada
Based on the existing clinical Phase 2 data for IMVAMUNE®, Bavarian Nordic has already submitted applications for marketing authorization of IMVAMUNE® to the health authorities in Canada in 2011 and Europe in 2012. In Europe, the vaccine will be marketed under the trade name IMVANEX®. While a decision from Health Canada is expected in the second half of 2013, the Company anticipates a decision from the European Medicines Agency in the second quarter of 2013.



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## Other issues

**James Breitmeyer appointed new President of the Cancer Vaccine division**

Following the resignation of Reiner Laus in January 2013, the Company appointed James B. Breitmeyer to the position as Division President of its Cancer Vaccine division in February. He furthermore joined the executive management team.

Dr. Breitmeyer served as Executive Vice President of Development and Chief Medical Officer of Cadence Pharmaceuticals Inc. from 2006 to 2012. From 2001 to 2006, he served as Chief Medical Officer of Applied Molecular Evolution Inc., a wholly-owned subsidiary of Eli Lilly and Co. From 2000 to 2001, Dr. Breitmeyer served as President and Chief Executive Officer of the Harvard Clinical Research Institute. From 1991 to 2000, he held a variety of positions at Serono Laboratories Inc., including Chief Medical Officer and Senior Vice President of Research and Development. Prior to Serono, he served as a scientific advisor to Immunogen Inc., and held clinical and teaching positions at the Dana Farber Cancer Institute and Harvard Medical School.

Dr. Breitmeyer received his M.D. and Ph.D. from Washington University School of Medicine, is board certified in Internal Medicine and Oncology and is the author or co-author of numerous publications.

**Kvistgaard turns into a multipurpose manufacturing facility**

In January 2013, the Company announced that it will consolidate its manufacturing activities at the Kvistgaard facility, which in recent years has been optimized and is capable of managing additional tasks, beyond the production of IMVAMUNE®. The facility will be prepared for the future commercial production of PROSTVAC® and assume the production of clinical trial material from the Berlin facility, which will close during 2013.

The transformation of the Kvistgaard facility into a multipurpose manufacturing facility will allow Bavarian Nordic to take a more flexible manufacturing approach and reduce dependence upon subcontractors, thus providing the company greater control of pre-launch manufacturing activities for PROSTVAC®.

The facility already has the necessary quality systems and other support functions in place. Furthermore, it makes use of disposable technologies, which is a great advantage in the planning and execution of different manufacturing campaigns.

The preparations for commercial manufacturing of PROSTVAC® at the facility will require initial investments at the level of DKK 75 million in total over three years. These will be offset by savings in the same level.



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## Financial statement for the period (1 January – 31 March 2013, un-audited)

*The comparison figures for the same period 2012 are stated in parenthesis.*

Revenue generated for the three months ended March 31, 2013 was DKK 206 million (DKK 168 million). Revenue was primarily generated from the sale of IMVAMUNE® under the RFP-3 contract, DKK 166 million (DKK 148 million) and revenue from the IMVAMUNE® freeze-dried contract, DKK 16 million (DKK 14 million).

The production costs totaled DKK 131 million (DKK 91 million). Costs related directly to the revenue amount to DKK 99 million (DKK 87 million). Other production costs totaled DKK 33 million (DKK 5 million) of which DKK 29 million (DKK 4 million) was related to write down of inventory.

The Group's research and development costs totaled DKK 78 million (DKK 68 million). The increase is mainly due to the PROSPECT trial.

Distribution costs totaled DKK 7 million (DKK 7 million) and administrative expenses totaled DKK 37 million (DKK 32 million). The increase in administrative expenses is mainly due to a reclassification of research and development costs in the Infectious Disease Division.

Financial items totaled DKK 7 million (DKK -6 million). In first quarter the company had income on currency adjustments due to the increasing USD rate.

Income before tax was a loss of DKK 41 million (DKK 35 million loss).

Tax on income for the period was an income of DKK 7 million (tax income of DKK 6 million).

For the first three months of 2013, Bavarian Nordic reported a net loss of DKK 34 million (DKK 29 million loss).

As of 31 March 2013 the Group's cash preparedness was DKK 543 million (DKK 649 million), including unutilized credit lines of DKK 120 million (DKK 120 million). Cash flow from operations was negative by DKK 113 million (DKK -48 million). The change in the working capital was negative by DKK 91 million (DKK -32 million) due to decrease of current liabilities. Cash flow from investment activities was DKK -99 million (DKK 32 million) and cash flow from financing activities was DKK -2 million (DKK -2 million). The cash flow from investing activities primarily consists of the purchase of securities (DKK 87 million). The net change in cash and cash equivalents was negative by DKK 214 million (DKK -18 million).

The Group's equity as of 31 March 2013 is DKK 962 million (DKK 1,195 million). The decrease in equity is primarily due to the partial write-down of the deferred tax asset with DKK 182 million in June 2012.

**Financial expectations**

The Company maintains its 2013 full-year financial expectations with revenue at the level of DKK 1,100 million and a break-even result before tax. The cash preparedness at year-end is expected to be roughly DKK 600 million.

The Infectious Disease division is expected to generate an EBIT of DKK 360 million, after expenses of capitalized RFP-3 development costs of approximately DKK 150 million.

The Cancer Vaccine division is expected to generate a negative EBIT of DKK 325 million.

Research and developments costs are expected to amount to approximately DKK 460 million, of which DKK 100 million will be capitalized in the balance sheet under intangible assets. Additional research and development costs of DKK 110 million are expected in contract expenses (stated under production costs in the profit and loss statement).



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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 31 March 2013.

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 31 March 2013 and the results of the group's activities and cash flows for the period 1 January to 31 March 2013.

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.

Kvistgaard, 16 May 2013

**Corporate Management:**

Anders Hedegaard
President and CEO

**Board of Directors:**

| | | |
|---|---|---|
| Asger Aamund<br>Chairman of the Board | Claus Bræstrup | Erik G. Hansen |
| Peter Kürstein | Gerard van Odijk | Anders Gersel Pedersen |



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## Group Key Figures

| DKK million | 1/1-31/3 2013 | 1/1-31/3 2012 | 1/1-31/12 2012 |
|---|---|---|---|
| | *un-audited* | *un-audited* | *audited* |
| **Income statements** | | | |
| Revenue | 205.7 | 167.8 | 1,016.6 |
| Production costs | 131.2 | 91.3 | 513.5 |
| Research and development costs | 78.1 | 67.5 | 357.4 |
| Distribution costs | 6.8 | 7.1 | 39.6 |
| Administrative costs | 37.2 | 31.7 | 137.8 |
| Income before interest and taxes | (47.6) | (29.8) | (31.7) |
| Financial items, net | 7.0 | (5.5) | (17.0) |
| Income before company tax | (40.6) | (35.3) | (48.7) |
| Result for the period | (33.8) | (29.3) | (240.0) |
| **Balance sheet** | | | |
| Non-current assets | 653.0 | 842.9 | 644.3 |
| Current assets | 736.2 | 1,043.0 | 894.9 |
| Assets | 1,389.2 | 1,885.9 | 1,539.2 |
| Equity | 961.5 | 1,195.0 | 999.7 |
| Non-current liabilities | 55.0 | 101.7 | 54.2 |
| Current liabilities | 372.7 | 589.2 | 485.3 |
| **Cash flow statements** | | | |
| Net cash including bonds | 423.0 | 528.9 | 549.9 |
| Cash flow from operating activities | (112.9) | (48.4) | 20.1 |
| Cash flow from investment activities | (99.1) | 32.3 | 71.0 |
| Investment in tangible assets | (2.3) | (2.0) | (20.9) |
| Cash flow from financing activities | (2.2) | (2.4) | (9.6) |
| **Financial Ratios (DKK)** [1)] | | | |
| Earnings (basic) per share of DKK 10 | (1.3) | (1.1) | (9.2) |
| Net asset value per share | 36.8 | 45.8 | 38.3 |
| Share price at period-end | 69 | 47 | 50 |
| Share price/Net asset value per share | 1.9 | 1.0 | 1.3 |
| Number of outstanding shares at period-end | 26,094 | 26,094 | 26,094 |
| Equity share | 69% | 63% | 65% |
| Number of employees, converted to full-time, at period-end | 449 | 446 | 450 |

1) Earnings per share (EPS) is calculated in accordance with IAS 33 "Earning per share". The financial ratios have been calculated in accordance with "Anbefalinger og Nøgletal 2010" (Recommendations and Financial ratios 2010).

**Notes**
(stated in the end of this document):

1. Accounting policies
2. Significant accounting estimates and judgments
3. Intangible assets under construction
4. Segment reporting
5. Revenue
6. Production costs
7. Composition of research and development costs
8. Inventories
9. Other receivables
10. Other liabilities
11. Financial instruments
12. Related party transactions
13. Incentive plans



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## Income Statement

| DKK million | Note | 1/1 - 31/3 2013 | 1/1 - 31/3 2012 | 1/1 - 31/12 2012 |
|---|---|---|---|---|
| | | *un-audited* | *un-audited* | *audited* |
| Revenue | 5 | 205.7 | 167.8 | 1,016.6 |
| Production costs | 6 | 131.2 | 91.3 | 513.5 |
| **Gross profit** | | **74.5** | **76.5** | **503.1** |
| Research and development costs | | 78.1 | 67.5 | 357.4 |
| Distribution costs | | 6.8 | 7.1 | 39.6 |
| Administrative costs | | 37.2 | 31.7 | 137.8 |
| **Total operating costs** | | **122.1** | **106.3** | **534.8** |
| **Income before interest and tax (EBIT)** | | **(47.6)** | **(29.8)** | **(31.7)** |
| Financial income | | 8.4 | 1.1 | 8.9 |
| Financial expenses | | 1.4 | 6.6 | 25.9 |
| **Income before company tax** | | **(40.6)** | **(35.3)** | **(48.7)** |
| Tax on income for the period | | (6.8) | (6.0) | 191.3 |
| **Net profit for the period** | | **(33.8)** | **(29.3)** | **(240.0)** |
| **Earnings per share (EPS) - DKK**[1)] | | | | |
| -basic earnings per share of DKK 10 | | (1.3) | (1.1) | (9.2) |
| -diluted earnings per share of DKK 10 | | (1.3) | (1.1) | (9.2) |

## Statement of comprehensive income

| DKK million | 1/1 - 31/3 2013 | 1/1 - 31/3 2012 | 1/1 - 31/12 2012 |
|---|---|---|---|
| | *un-audited* | *un-audited* | *audited* |
| **Net profit for the period** | **(33.8)** | **(29.3)** | **(240.0)** |
| **Items that might be reclassified to the income statement:** | | | |
| Exchange rate adjustments, investments in subsidiaries | (8.7) | 6.7 | 4.9 |
| Fair value of financial instruments entered into to hedge future cash flow: | | | |
| Fair value adjustment for the period | 0.3 | 7.6 | 8.2 |
| Fair value adjustment transferred to revenue | - | 0.5 | 6.2 |
| Tax on other comprehensive income | (0.1) | (2.0) | (3.6) |
| **Other comprehensive income after tax** | **(8.5)** | **12.8** | **15.7** |
| **Total comprehensive income** | **(42.3)** | **(16.5)** | **(224.3)** |



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## Statement of financial position

| DKK million | Note | 31/3 2013 | 31/3 2012 | 31/12 2012 |
|---|---|---|---|---|
| | | *un-audited* | *un-audited* | *audited* |
| **Assets** | | | | |
| Acquired patents and licenses | | 17.2 | 12.4 | 17.1 |
| Software | | 4.6 | 7.6 | 5.1 |
| Intangible assets in progress | 3 | 135.2 | 109.1 | 126.3 |
| **Intangible assets** | | **157.0** | **129.1** | **148.5** |
| Land and buildings | | 185.0 | 190.3 | 183.6 |
| Leasehold improvements | | 0.9 | 9.2 | 1.3 |
| Plant and machinery | | 89.6 | 104.9 | 91.6 |
| Fixtures and fittings, other plant and equipment | | 26.8 | 24.3 | 27.3 |
| Assets under construction | | 11.6 | 13.4 | 16.8 |
| **Property, plant and equipment** | | **313.9** | **342.1** | **320.6** |
| Other receivables | | 0.7 | 0.4 | 0.7 |
| Prepayments | | - | - | - |
| **Financial assets** | | **0.7** | **0.4** | **0.7** |
| **Deferred tax assets** | | **181.4** | **371.3** | **174.5** |
| **Total non-current assets** | | **653.0** | **842.9** | **644.3** |
| **Inventories** | **8** | **184.6** | **273.1** | **229.2** |
| Trade receivables | | 87.6 | 113.0 | 56.5 |
| Tax receivables | | 1.3 | - | 1.5 |
| Other receivables | 9 | 8.5 | 9.1 | 10.1 |
| Prepayments | | 31.2 | 118.9 | 47.7 |
| **Receivables** | | **128.6** | **241.0** | **115.8** |
| Securities | | 283.5 | 275.3 | 196.4 |
| Cash and cash equivalents | | 139.5 | 253.6 | 353.5 |
| **Securities, cash and cash equivalents** | | **423.0** | **528.9** | **549.9** |
| **Total current assets** | | **736.2** | **1,043.0** | **894.9** |
| **Total assets** | | **1,389.2** | **1,885.9** | **1,539.2** |
| **Equity and liabilities** | | | | |
| Share capital | | 260.9 | 260.9 | 260.9 |
| Retained earnings | | 662.5 | 893.7 | 683.0 |
| Other reserves | | 38.1 | 40.4 | 55.8 |
| **Equity** | | **961.5** | **1,195.0** | **999.7** |
| Provisions | | 18.4 | 15.3 | 17.3 |
| Credit institutions | | 36.6 | 86.4 | 36.9 |
| **Non-current liabilities** | | **55.0** | **101.7** | **54.2** |
| Credit institutions | | 52.1 | 8.8 | 52.4 |
| Prepayment from customers | | 169.5 | 364.6 | 195.6 |
| Trade payables | | 41.3 | 72.6 | 104.2 |
| Company tax | | 0.2 | 0.9 | 2.2 |
| Provisions | | 14.1 | - | 14.8 |
| Other liabilities | 10 | 95.5 | 142.3 | 116.1 |
| **Current liabilities** | | **372.7** | **589.2** | **485.3** |
| **Total liabilities** | | **427.7** | **690.9** | **539.5** |
| **Total equity and liabilities** | | **1,389.2** | **1,885.9** | **1,539.2** |



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## Statement of cash flow

| DKK million | 1/1 - 31/3 2013 | 1/1 - 31/3 2012 | 1/1 - 31/12 2012 |
|---|---|---|---|
| | *un-audited* | *un-audited* | *audited* |
| **Income before interest and tax** | **(47.6)** | **(29.8)** | **(31.7)** |
| Depreciations and amortizations | 11.2 | 14.1 | 56.5 |
| Share-based payment | 4.8 | 4.0 | 16.9 |
| Adjustment for other non-cash items | - | - | 5.3 |
| Changes in inventories | 44.6 | (54.2) | (10.3) |
| Changes in receivables | (12.1) | 82.3 | 208.9 |
| Changes in provisions | 0.5 | - | 16.8 |
| Changes in current liabilities | (123.6) | (60.0) | (226.9) |
| **Cash flows from operations (operating activities)** | **(122.2)** | **(43.6)** | **35.5** |
| Received financial income | 2.5 | 4.1 | 10.3 |
| Paid financial expenses | (1.4) | (3.1) | (18.9) |
| Exchange rate adjustments intercompany accounts | 8.3 | (5.8) | (4.3) |
| Paid corporation taxes | (0.1) | - | (2.5) |
| **Cash flow from operating activities** | **(112.9)** | **(48.4)** | **20.1** |
| Investments in intangible assets | (10.2) | (1.5) | (24.3) |
| Investments in property, plant and equipment | (2.3) | (2.0) | (20.9) |
| Disposal of property, plant and equipment | - | - | 0.1 |
| Investments in/disposal of financial assets | - | - | (0.3) |
| Investments in/disposal of securities | (86.6) | 35.8 | 116.4 |
| **Cash flow from investment activities** | **(99.1)** | **32.3** | **71.0** |
| Payment on mortgage and bank debt | (2.2) | (2.2) | (9.0) |
| Repurchase of stock options in subsidiary | - | (0.2) | (0.6) |
| **Cash flow from financing activities** | **(2.2)** | **(2.4)** | **(9.6)** |
| **Cash flow of the period** | **(214.2)** | **(18.5)** | **81.5** |
| Cash as of 1 January | 353.5 | 272.1 | 272.1 |
| Currency adjustments 1 January | 0.2 | - | (0.1) |
| **Cash end of period** | **139.5** | **253.6** | **353.5** |
| Securities - highly liquid bonds | 283.5 | 275.3 | 196.4 |
| Credit lines | 120.0 | 120.0 | 120.0 |
| **Cash preparedness** | **543.0** | **648.9** | **669.9** |



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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 2013** | **260.9** | **683.0** | **(6.3)** | **(0.5)** | **62.6** | **999.7** |
| **Comprehensive income for the period** | | | | | | |
| Net profit | - | (33.8) | - | - | - | (33.8) |
| **Other comprehensive income** | | | | | | |
| Exchange rate adjustments, investments in subsidiaries | - | - | (8.7) | - | - | (8.7) |
| Fair value of financial instruments | - | - | - | 0.2 | - | 0.2 |
| **Total comprehensive income for the period** | **-** | **(33.8)** | **(8.7)** | **0.2** | **-** | **(42.3)** |
| **Transactions with owners** | | | | | | |
| Share-based payment (warrants) | - | - | - | - | 4.1 | 4.1 |
| Warrants program expired | - | 13.3 | - | - | (13.3) | - |
| **Total transactions with owners** | **-** | **13.3** | **-** | **-** | **(9.2)** | **4.1** |
| **Shareholders' equity as of 31 March 2013** | **260.9** | **662.5** | **(15.0)** | **(0.3)** | **53.4** | **961.5** |

| 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 2012** | **260.9** | **923.0** | **(11.2)** | **(11.3)** | **46.2** | **1,207.6** |
| **Comprehensive income for the period** | | | | | | |
| Net profit | - | (29.3) | - | - | - | (29.3) |
| **Other comprehensive income** | | | | | | |
| Exchange rate adjustments, investments in subsidiaries | - | - | 6.7 | - | - | 6.7 |
| Fair value of financial instruments | - | - | - | 6.1 | - | 6.1 |
| **Total comprehensive income for the period** | **-** | **(29.3)** | **6.7** | **6.1** | **-** | **(16.5)** |
| **Transactions with owners** | | | | | | |
| Share-based payment (warrants) | - | - | - | - | 3.9 | 3.9 |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **3.9** | **3.9** |
| **Shareholders' equity as of 31 March 2012** | **260.9** | **893.7** | **(4.5)** | **(5.2)** | **50.1** | **1,195.0** |



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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.

Except for the changes described below the accounting policies used in the interim report are consistent with those used in the Annual Report 2012 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 2012 for further description of the accounting policies, including the definitions of financial ratios, calculated in accordance with "Anbefalinger og Nøgletal 2010" (Recommendations and Financial ratios 2010).

Changes in accounting policies
With effect from 1 January 2013 the Company adopted the following new and amended standards and interpretations:

- Revised IAS 1, *Presentation of Financial Statements*, Presentation of other comprehensive income
- IFRS 13, *Fair Value Measurement*

The implementation of the amended IAS 1 means that items in other comprehensive income are divided into items that at a later stage may be reclassified to the income statement (recycling) in accordance with other standards, respectively items which are not subsequently reclassified to the income statement. The implementation does not affect the total amount of other comprehensive income.

The implementation of IFRS 13 means that additional information on the fair value of financial instruments is provided in the interim report.

**2. Significant accounting estimates and judgments**

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 judgments made on the basis of the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events.

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

Further to significant accounting estimates and judgments, which are stated in the Annual Report 2012, the Management has not performed significant estimates and judgments 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).



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**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, investor relations, group finance, IT and legal. A large part of these costs are covered by the two operating segments through internal allocations.

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 - 31/3 2013**

| DKK million | Cancer Vaccines | Infectious Diseases | Holding | Total |
|---|---|---|---|---|
| RFP-3 IMVAMUNE® sales | - | 165.8 | - | 165.8 |
| Contract work | - | 39.9 | - | 39.9 |
| **Revenue** | **-** | **205.7** | **-** | **205.7** |
| Depreciations | 1.2 | 8.9 | 1.1 | 11.2 |
| **Income before interest and tax** | **(64.3)** | **38.4** | **(21.7)** | **(47.6)** |
| Purchase/sale () of internal services | 0.8 | (0.8) | - | - |
| Distribution of the holding costs | 3.4 | 11.7 | (15.1) | - |
| **Income before interest and tax after allocations** | **(68.5)** | **27.5** | **(6.6)** | **(47.6)** |
| Investments | - | 12.2 | 0.3 | 12.5 |

**Period 1/1 - 31/3 2012**

| DKK million | Cancer Vaccines | Infectious Diseases | Holding | Total |
|---|---|---|---|---|
| RFP-3 IMVAMUNE® sales | - | 147.5 | - | 147.5 |
| Contract work | - | 20.3 | - | 20.3 |
| **Revenue** | **-** | **167.8** | **-** | **167.8** |
| Depreciations | 1.6 | 9.6 | 2.9 | 14.1 |
| **Income before interest and tax** | **(54.1)** | **47.3** | **(23.0)** | **(29.8)** |
| Purchase/sale () of internal services | 0.9 | (0.9) | - | - |
| Distribution of the holding costs | 2.9 | 12.8 | (15.7) | - |
| **Income before interest and tax after allocations** | **(57.9)** | **35.4** | **(7.3)** | **(29.8)** |
| Investments | 0.7 | 2.1 | 0.7 | 3.5 |



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| DKK million | 1/1-31/3 2013 | 1/1-31/3 2012 | 1/1-31/12 2012 |
|---|---|---|---|
| | *un-audited* | *un-audited* | *audited* |
| **5. Revenue** | | | |
| RFP-3 IMVAMUNE® sale | 165.8 | 147.5 | 877.5 |
| Contract income | 39.9 | 20.3 | 133.3 |
| Product sale | - | - | 5.8 |
| **Revenue** | **205.7** | **167.8** | **1,016.6** |
| Total revenue includes: | | | |
| Fair value adjustment transferred from equity concerning financial instruments entered into to hedge revenue | - | (0.5) | (6.2) |
| **6. Production costs** | | | |
| Cost of goods sold, RFP-3 IMVAMUNE® sale | 72.3 | 73.2 | 415.8 |
| Contract costs | 26.3 | 13.4 | 82.0 |
| Cost of goods sold, product sale | - | - | 1.0 |
| Other production costs | 32.6 | 4.7 | 14.7 |
| **Production costs** | **131.2** | **91.3** | **513.5** |
| **7. Composition of research and development costs** | | | |
| Contract costs, production costs (income statement, note 6) | 26.3 | 13.4 | 82.0 |
| Research and development costs (income statement) | 78.1 | 67.5 | 357.4 |
| Capitalized development costs (balance sheet) | 10.2 | 1.5 | 15.2 |
| **Total research and development costs** | **114.6** | **82.4** | **454.6** |
| **8. Inventories** | | | |
| Raw materials and supply materials | 23.9 | 25.7 | 25.3 |
| Work in progress | 200.8 | 202.2 | 183.4 |
| Manufactured goods and commodities | 18.2 | 86.9 | 52.0 |
| Write-down on inventory | (58.3) | (41.7) | (31.5) |
| **Inventories** | **184.6** | **273.1** | **229.2** |
| **Write-down on inventory 1 January** | **(31.5)** | **(55.4)** | **(55.4)** |
| Write-down during the period | (35.9) | (11.4) | (19.5) |
| Use of write-down | 2.5 | 17.7 | 36.0 |
| Reversal of write-down | 6.6 | 7.4 | 7.4 |
| **Write-down end of period** | **(58.3)** | **(41.7)** | **(31.5)** |
| **9. Other receivables** | | | |
| Receivable VAT and duties | 4.2 | 5.4 | 5.4 |
| Accrued interest | 2.3 | 3.4 | 3.1 |
| Other receivables | 2.0 | 0.3 | 1.6 |
| **Other receivables** | **8.5** | **9.1** | **10.1** |
| **10. Other liabilities** | | | |
| Financial instruments at fair value | 11.8 | 33.6 | 19.0 |
| Liability relating to phantom shares | 1.1 | 0.2 | 0.5 |
| Payable salaries, holiday accrual etc. | 46.3 | 27.3 | 51.0 |
| Other accrued costs | 36.3 | 81.2 | 45.6 |
| **Other liabilities** | **95.5** | **142.3** | **116.1** |



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**11. Financial instruments**

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

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

**Derivative financial instruments (level 2)**
Forward currency contracts and interest rate swaps are valued according to generally accepted valuation methods based on relevant observable swap curves and exchange rates.

**Fair value hierarchy for financial instruments measured at fair value**

**As of 31 March 2013 (un-audited)**

| DKK million | Level 1 | Level 2 | Total |
|---|---|---|---|
| Securities | 283.5 | - | 283.5 |
| **Financial assets measured at fair value in the income statement** | **283.5** | **-** | **283.5** |
| Derivative financial instruments to hedge future cash flows (interest) | - | (0.5) | (0.5) |
| **Financial liabilities used as hedging instruments** | **-** | **(0.5)** | **(0.5)** |
| Derivative financial instruments at fair value in the income statement (held for trading, currency) | - | (11.3) | (11.3) |
| **Financial liabilities measured at fair value in the income statement** | **-** | **(11.3)** | **(11.3)** |

**As of 31 December 2012 (audited)**

| DKK million | Level 1 | Level 2 | Total |
|---|---|---|---|
| Securities | 196.4 | - | 196.4 |
| **Financial assets measured at fair value in the income statement** | **196.4** | **-** | **196.4** |
| Derivative financial instruments to hedge future cash flows (interest) | - | (0.7) | (0.7) |
| **Financial liabilities used as hedging instruments** | **-** | **(0.7)** | **(0.7)** |
| Derivative financial instruments at fair value in the income statement (held for trading, currency) | - | (18.2) | (18.2) |
| **Financial liabilities measured at fair value in the income statement** | **-** | **(18.2)** | **(18.2)** |

**12. 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 2012.



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**13. Incentive plans**

**Outstanding warrants as of 31 March 2013**

| | Outstanding as of 1 January | Addition during the period | Options exercised | Annulled | Terminated | Transferred | Outstanding as of 31 March |
|---|---|---|---|---|---|---|---|
| Board of Directors | 132,018 | - | - | - | (19,269) | - | 112,749 |
| CEO & President | 161,166 | - | - | - | (32,117) | - | 129,049 |
| Group Management | 306,945 | 50,000 | - | - | (48,174) | (70,199) | 238,572 |
| Other employees | 1,126,870 | - | - | (8,500) | (92,317) | (17,000) | 1,009,053 |
| Retired employees | 214,210 | - | - | - | (52,185) | 87,199 | 249,224 |
| **Total** | **1,941,209** | **50,000** | **-** | **(8,500)** | **(244,062)** | **-** | **1,738,647** |
| **Weighted average exercise price** | **107** | **55** | **-** | **56** | **97** | **-** | **107** |
| Numbers of warrants which can be exercised as of 31 March 2013 | | | | | | | 397,375 |

The total recognized cost of the warrant programs was DKK 4.1 million in the first quarter of 2013 (2012: DKK 3.8 million).

**2013 programs**
In February 2013 the Board of Directors decided to award warrants to James Breitmeyer, new Executive Vice President and Division President, Cancer Vaccines. A total of 50,000 warrants were awarded for subscription of up to 50,000 shares of a nominal value of DKK 10 at an exercise price of DKK 55 per share. The value of each warrant equals DKK 6, calculated based on the Black-Scholes parameters shown in the below table. The total cost of the warrant program is DKK 0.3 million, which will be expensed over 3 years.

**Specification of parameters for Black-Scholes model**

| DKK | Mar 2009 | Dec 2009 | May 2010 | Aug 2010 | Dec 2010 | Aug 2011 | May 2012 | Aug 2012 | Feb 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Average share price | 103.00 | 149.00 | 212.50 | 223.00 | 238.00 | 50.00 | 43.30 | 52.00 | 45.50 |
| Average exercise price at grant | 124.00 | 184.00 | 291.00 | 259.00 | 261.00 | 54.10 | 54.00 | 59.10 | 55.00 |
| Average exercise price after rights issue[1)] | 77.00 | 114.00 | 216.00 | 192.00 | 194.00 | - | - | - | - |
| Expected volatility rate | 62.3% | 50.9% | 62.7% | 57.2% | 49.5% | 73.4% | 52.5% | 50.0% | 28.3% |
| Expected life (years) | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.3 | 3.3 | 3.3 | 3.1 |
| Expected dividend per share | - | - | - | - | - | - | - | - | - |
| Risk-free interest rate p.a. | 2.50% | 2.10% | 2.00% | 0.77% | 1.63% | 1.08% | 0.31% | -0.09% | 0.22% |
| Fair value at grant [2)] | 39 | 48 | 72 | 76 | 78 | 24 | 13 | 16 | 6 |
| Fair value after rights issue [3)] | 29 | 25 | 17 | 21 | 23 | - | - | - | - |

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

1) Determined at date of rights issue 27 May 2011
2) Fair value of each warrant at grant applying the Black-Scholes model
3) Fair value of each warrant at date of rights issue 27 May 2011 applying the Black-Scholes model



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