Company Announcement

22 August 2013

# Bavarian Nordic Reports Financial Results for the First Half of 2013

**KVISTGAARD, Denmark, August 22, 2013** – Bavarian Nordic A/S (OMX: BAVA) today publishes its results for the first half of 2013. Revenue for the period was DKK 556 million (2012: DKK 445 million) and the result before tax was a loss of DKK 43 million (2012: DKK 13 million loss). The Infectious Disease division remains profitable with an EBIT after internal allocations of DKK 131 million in the period (2012: DKK 116 million). As of June 30, 2013 the cash preparedness was DKK 695 million, including unutilized credit lines of DKK 120 million. The company has research and delivery contracts with the U.S. Government of which payments of up to USD 384 million (approximately DKK 2.1 billion) remain as of June 30, 2013. 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 half of 2013 can be downloaded from the Company's website: www.bavarian-nordic.com.

## Highlights from the second quarter and up to the reporting date

- In August, IMVANEX® smallpox vaccine received marketing authorization in Europe
- In August, enrollment of 4,000 subjects in the Phase 3 IMVAMUNE® lot consistency trial was completed
- In July and August, enrollment in two Phase 2 studies combining PROSTVAC® and enzalutamide began. One study investigates the combination in non-metastatic castration sensitive prostate cancer and the other in metastatic castration-resistant prostate cancer
- In June, consolidation and expansion activities began at the manufacturing facility in Denmark to accommodate the future commercial production of PROSTVAC
- In May the license for the CV-301 immunotherapy candidate was expanded to include colorectal cancer and promising data on the use of CV-301 in colorectal cancer was published in the peer-reviewed clinical journal, Annals of Surgery
- In May, a Phase 2 study to support emergency use of the freeze-dried version of IMVAMUNE® was initiated
- In May, a sponsored Level 1 ADR program was launched in the U.S., allowing U.S. investors to trade Bavarian Nordic shares in local currency
- In April, 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
- In April, an interim analysis plan for the Phase 3 PROSPECT trial of PROSTVAC was agreed with the FDA

Anders Hedegaard, President & CEO commented: "The EU marketing authorization for IMVANEX announced earlier this month represented a historic milestone for Bavarian Nordic and an important validation of our MVA-BN® vaccine technology platform. Additionally over the past quarter, we have had a number of significant developments. Most importantly, we secured a new IMVAMUNE supply contract in April from the U.S. government. While these developments illustrate the progress we are making in our corporate growth strategy, they also underscore the success of our collaborations with various U.S. institutions."

## Selected upcoming milestones

- Deliver 7 million doses of IMVAMUNE to the U.S. Strategic National Stockpile in 2013
- Initiate IMVAMUNE Phase 3 non-inferiority trial
- Complete enrollment in the PROSPECT Phase 3 study of PROSTVAC
- Report data from NCI-sponsored clinical trials of PROSTVAC



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- Report development strategy for CV-301

**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 an international biotechnology company developing and manufacturing novel cancer immunotherapies and vaccines for infectious diseases. Lead product candidates are PROSTVAC®, an immunotherapy product candidate for advanced prostate cancer that is the subject of an ongoing pivotal Phase 3 clinical trial and IMVAMUNE®, a non-replicating smallpox vaccine candidate in Phase 3 development, which 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 approved in the European Union under the trade name IMVANEX®.

Bavarian Nordic's shares are listed on NASDAQ OMX Copenhagen under the symbol BAVA (Reuters: BAVA.CO, Bloomberg: BAVA.DC). The company has a sponsored Level 1 ADR program listed in the U.S. (OTC) under the symbol BVNRY.

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 Immunotherapy Division

*Cancer Immunotherapy pipeline*

| Indication | Program | Status |
|---|---|---|
| Prostate cancer | PROSTVAC® | Phase 3 |
| Colorectal cancer | CV-301 colon | Phase 2 |
| 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 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.

The lead product candidates, PROSTVAC and CV-301, have been in-licensed and are being developed under cooperative research and development agreements (CRADAs) with the National Cancer Institute (NCI). In May 2013, the license for CV-301 was expanded to include colorectal cancer. In addition, the Company has concluded Phase 1/2 clinical development of MVA-BN based product candidates for prostate and breast cancer. As part of an overall assessment of the cancer portfolio, planned for fourth quarter 2013, the development strategy for CV-301 will be determined.

Both PROSTVAC and CV-301 are prime-boost immunotherapies sequentially combining two different poxviruses. Collectively, these two product candidates 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 20 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 is a global randomized, double-blind, placebo-controlled study, which is expected to enroll 1,200 patients with asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer.



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The study was initiated in the USA in November 2011 and is currently active at 144 sites in 13 countries. Completion of enrollment in the study is expected in the 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 or futility. If the trial achieves its efficacy threshold at one of the interim analyses, 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 four NCI-sponsored clinical studies in different settings, evaluating the vaccine in combination with other therapies.

One study is a Phase 2 clinical study combining PROSTVAC with enzalutamide – a hormonal therapy that was approved by the FDA in 2012. The study will enroll 34 patients with non-metastatic castration sensitive prostate cancer that will be randomized to receive enzalutamide with PROSTVAC treatment or enzalutamide only. The primary endpoint will be based on PSA kinetics (tumor re-growth rate after enzalutamide discontinuation).

The second study is also a Phase 2 study combining PROSTVAC with enzalutamide. This study will enroll 72 patients with metastatic castration-resistant prostate cancer that will be randomized to receive enzalutamide with PROSTVAC treatment or enzalutamide only. The primary endpoint is progression-free survival.

The third 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).

A fourth study is a Phase 2 clinical study 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.



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## 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, colorectal, 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, colorectal, lung, ovarian and other cancers) and more than 500 patients have been treated with the product candidate.

**Promising data for CV-301 in breast and colorectal cancer**

Data from a Phase 2 trial of CV-301 in patients with resected metastatic colorectal cancer were published in the Annals of Surgery in May 2013. In the study conducted at Duke University, 74 patients who were disease free after surgical resection of metastatic colon cancer received chemotherapy followed by immunotherapy with CV-301 either as CV-301 modified dendritic cells or in combination with GM-CSF. Compared to a group of contemporary control patients who were matched for key clinical features and had similar surgery and chemotherapy, the overall survival of the CV-301 treated patients was significantly longer ($p < 0.0001$). Treatment with CV-301 was well tolerated, with injection site reactions, fever, fatigue and muscle soreness as the most common side effects.

Data from a randomized Phase 2 trial of CV-301 in 48 patients with metastatic breast cancer were previously presented. 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 study was not designed to demonstrate statistical significance for progression-free survival.

**Development strategy for CV-301**

Upon an assessment of the overall data generated for CV-301 to-date, Bavarian Nordic will determine the development strategy for CV-301 as part of an overall assessment of the cancer immunotherapy portfolio, which is expected in fourth quarter of 2013. Concurrently, the company is working to further enhance the CV-301 by employing the MVA-BN technology.



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## Infectious Disease Division

*Biodefense pipeline*

| Indication | Program | Status |
|---|---|---|
| Smallpox | IMVAMUNE® *liquid-frozen* * | Phase 3 / Approved ** |
| 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*
*** Approved in the European Union in August 2013 under the trade name IMVANEX®*

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 medical countermeasures against potential biological threats.

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 Biomedical Advanced Research and Development Authority (BARDA), a division of 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 BARDA.
- A USD 116 million contract (RFP-2) for further clinical development of IMVAMUNE. Awarded in 2004 by National Institutes of Allergy and Infectious Diseases (NIAID)
- A USD 94 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 an MVA-BN-based vaccine against viral hemorrhagic fever Marburg (MVA-BN Filo). Awarded in 2012 by NIAID.
- 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 1,006 million, of which Bavarian Nordic has received USD 622 million as of June 30, 2013, after which up to USD 384 million remains.

## IMVAMUNE - smallpox vaccine candidate (MVA-BN)

*IMVAMUNE is approved in the European Union under the trade name IMVANEX.*

**IMVANEX receives marketing authorization in Europe**

On August 7, the European Commission granted marketing authorization for IMVANEX (MVA-BN) for active immunization against smallpox disease for the general adult population, including people with weakened immune systems (people diagnosed with HIV or atopic dermatitis). The authorization covers all European Union member states and Iceland, Liechtenstein and Norway.



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IMVANEX will be made available to governments for use in accordance with official national recommendations.

An application for marketing authorization of IMVAMUNE in Canada has been submitted, with a decision anticipated in the second half of 2013.

**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 follows 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 an additional USD 37 million will be received, associated with the delivery of the initial 20 million dose order.

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
- Delivery associated payments of USD 29 million in 2013, after which 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.

The U.S. Government has stipulated in the contract 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.

Deliveries to the U.S. Strategic National Stockpile

During the first half of 2013, Bavarian Nordic delivered 2.7 million doses of IMVAMUNE to the SNS, of which 1.1 were delivered in the second quarter. As of June 30, 2013, 2.9 million doses remain for delivery under the initial contract for 20 million doses. Upon completion of deliveries under this contract later in 2013, deliveries under the new contract from April 2013 will be initiated.

**Developing the next generation of IMVAMUNE**

Concurrently with deliveries of IMVAMUNE in the liquid-frozen formulation to the SNS, Bavarian Nordic is developing a freeze-dried formulation of the vaccine under a contract with BARDA. The U.S. Government has signaled its strong desire to develop a new formulation of IMVAMUNE that can be procured and stockpiled for emergency use in the SNS, and the freeze-dried vaccine offers storage and transportation advantages as well as increased shelf-life. A Phase 2 study designed to meet the emergency use requirements was initiated in May 2013 with the final report anticipated in 2016.

**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 Phase 3 lot consistency trial was initiated in March 2013 and completed enrollment in August, four months ahead of schedule. A total of 3,000 people were vaccinated with three different lots of IMVAMUNE (1,000 subjects per IMVAMUNE lot), which brings the total number of people vaccinated with IMVAMUNE to more than 6,800 in a total of 19 completed or on-going clinical trials. The safety data from the 3,000 subjects receiving IMVAMUNE in this study will be compared with 1,000 additional subjects receiving placebo. Data from the trial are expected in 2015.

The second Phase 3 study comparing the safety and immunogenicity of IMVAMUNE to the U.S. licensed smallpox vaccine is expected to initiate enrollment in the fourth quarter of 2013. In collaboration with MILVAX (Military



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Vaccine) Agency, a CRADA was signed with the U.S. Army Research Institute for Infectious Diseases (USAMRIID) to perform the trial at a U.S. military garrison in South Korea.

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).

## Other developments

**Name change in U.S. subsidiaries**

In order to unify and strengthen the company's brand, the U.S. subsidiary BN ImmunoTherapeutics, Inc. has been renamed to Bavarian Nordic, Inc. The office in Washington DC, which previously was named Bavarian Nordic, Inc., is now named Bavarian Nordic Washington DC, Inc.

**Construction of PROSTVAC manufacturing has begun**

Following the decision in early 2013 to consolidate the Company's manufacturing activities at the facility in Kvistgaard, Denmark, the Berlin facility that had been producing clinical trial materials has now been closed and all activities transferred to Kvistgaard. Furthermore, construction of the new production unit that will perform the future production commercial manufacturing of PROSTVAC has begun.

The facility which is already producing IMVAMUNE smallpox vaccine will be transformed into a multipurpose facility, allowing 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. With this initiative, the Company aims to improve the profitability of manufacturing in the longer term. The alteration requires initial investments in the level of DKK 75 million over three years which will be offset by savings at the same level.

**Bavarian Nordic establishes a sponsored Level 1 ADR program in the U.S.**

In May, Bavarian Nordic established a sponsored Level 1 American Depositary Receipt (ADR) program in the United States.

An ADR is a receipt that is issued by a depositary bank representing ownership of a company's underlying shares. ADR programs are created to enable U.S. investors to hold shares in non-U.S. companies and trade them in the same way as U.S. securities. Deutsche Bank acts as depositary bank for the ADR program. Bavarian Nordic ADRs are now available for trading in the U.S. over-the-counter (OTC) market. One ADR represents one Bavarian Nordic share (1 ADR: 1 ordinary share). The ticker symbol is BVNRY.



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## Financial statement for the period (1 January – 30 June 2013, un-audited)

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

Revenue generated for the six months ended June 30, 2013 was DKK 556 million (DKK 445 million). Revenue was primarily generated from the sale of IMVAMUNE, DKK 299 million (DKK 387 million) and delivery of development results under the RFP-3 contract, DKK 173 million (DKK 0 million); a more detailed description is provided below. Revenue reported for the three months ended June 30, 2013 was DKK 350 million (DKK 278 million).

The production costs totaled DKK 212 million (DKK 233 million). Costs related directly to revenue amounted to DKK 176 million (DKK 237 million). Other production costs totaled DKK 36 million (DKK -4 million), of which DKK 33 million (DKK 25 million) was related to write down of inventory. In the second quarter of 2013, production costs were DKK 81 million (DKK 142 million).

The Group's research and development costs totaled DKK 291 million (DKK 144 million), of which expensing (amortization) of capitalized IMVAMUNE development costs amounts to DKK 118 million (DKK 0 million), see more detailed description below. The remaining increase of DKK 29 million is mainly due to the PROSPECT trial. The research and development expenditures for the three months ending June 30, 2013 were DKK 213 million (DKK 76 million).

Distribution costs totaled DKK 16 million (DKK 18 million) and administrative expenses totaled DKK 75 million (DKK 61 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 -5 million (DKK -2 million).

Income before tax was a loss of DKK 43 million (DKK 13 million loss). The company recorded a loss before tax of DKK 2 million for the second quarter of 2013 (profit of DKK 22 million).

Tax on income for the period was an income of DKK 4 million (2012: tax expense of DKK 185 million, of which DKK 182 million was related to a write-down of the tax asset). Based on the current expectations for future earnings, management assesses that the effect of the gradual reduction of the corporate tax rate from 25% in 2013 to 22% in 2016 can be offset by a reduction of the previous write-down of the tax asset. Accordingly, no adjustment has been made of the deferred tax asset as per June 30, 2013. The write-down will be reassessed once a year, next time December 31, 2013.

For the first six months of 2013, Bavarian Nordic reported a net loss of DKK 39 million (DKK 198 million loss).

As of June 30, 2013 the Group's cash preparedness was DKK 695 million (DKK 631 million), including unutilized credit lines of DKK 120 million (DKK 120 million). Cash flow from operations was positive by DKK 83 million (DKK -57 million). Cash flow from investment activities was DKK -138 million (DKK 22 million) and cash flow from financing activities was DKK -5 million (DKK -5 million). The cash flow from investing activities primarily consists of the purchase of securities (DKK 87 million) and capitalized IMVAMUNE development costs (DKK 38 million). The net change in cash and cash equivalents was negative by DKK 60 million (DKK -40 million).

The Group's equity as of June 30, 2013 is DKK 966 million (DKK 1,020 million).

**IMVAMUNE development project**

In the second quarter, the company received DKK 185 million in payment for development results under the RFP-3 contract. Of this amount, DKK 173 million are shown in a separate line in note 4, relating to development results delivered in previous financial years, for which the final right to receive payment did not vest until the 2013,and DKK 12 million are included in IMVAMUNE sales, as the company's final right to payment for these occurred in step with the sale of IMVAMUNE doses in 2013. Meanwhile, the company expensed (amortized) DKK 118 million of the capitalized costs relating to the IMVAMUNE development project, which, net



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of additions for the period, reduced the asset to DKK 42 million at 30 June 2013 (DKK 112 million). The costs are recognized in research and development costs. For further information, see notes 1 and 2.

**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 approximately DKK 360 million, after expenses (amortization) of capitalized IMVAMUNE development costs of approximately DKK 150 million.

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

Research and developments costs are expected to amount to approximately DKK 570 million, of which approximately DKK 100 million will be capitalized in the balance sheet under IMVAMUNE development project and approximately DKK 110 million are 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 30 June 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 30 June 2013 and the results of the group's activities and cash flows for the period 1 January to 30 June 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, August 22, 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 | 1/4-30/6 2013 | 1/4-30/6 2012 | 1/1-30/6 2013 | 1/1-30/6 2012 | 1/1-31/12 2012 |
|---|---|---|---|---|---|
| | *un-audited* | *un-audited* | *un-audited* | *un-audited* | *audited* |
| **Income statements** | | | | | |
| Revenue | 350.4 | 277.6 | 556.1 | 445.4 | 1,016.6 |
| Production costs | 80.5 | 142.1 | 211.7 | 233.4 | 513.5 |
| Research and development costs | 213.2 | 76.0 | 291.3 | 143.5 | 357.4 |
| Distribution costs | 9.1 | 11.0 | 15.9 | 18.1 | 39.6 |
| Administrative costs | 37.6 | 29.5 | 74.8 | 61.2 | 137.8 |
| Income before interest and taxes | 10.0 | 19.0 | (37.6) | (10.8) | (31.7) |
| Financial items, net | (12.1) | 3.4 | (5.1) | (2.1) | (17.0) |
| Income before company tax | (2.1) | 22.4 | (42.7) | (12.9) | (48.7) |
| Result for the period | (5.3) | (168.4) | (39.1) | (197.7) | (240.0) |
| **Balance sheet** | | | | | |
| Non-current assets | | | 556.0 | 646.3 | 644.3 |
| Current assets | | | 941.6 | 1,043.0 | 894.9 |
| Assets | | | 1,497.6 | 1,689.3 | 1,539.2 |
| Equity | | | 966.1 | 1,019.7 | 999.7 |
| Non-current liabilities | | | 95.1 | 102.3 | 54.2 |
| Current liabilities | | | 436.4 | 567.3 | 485.3 |
| **Cash flow statements** | | | | | |
| Net cash including bonds | | | 574.6 | 511.3 | 549.9 |
| Cash flow from operating activities | | | 82.5 | (57.4) | 20.1 |
| Cash flow from investment activities | | | (137.5) | 22.0 | 71.0 |
| Investment in tangible assets | | | (9.9) | (4.8) | (20.9) |
| Cash flow from financing activities | | | (4.5) | (4.8) | (9.6) |
| **Financial Ratios (DKK)** [1)] | | | | | |
| Earnings (basic) per share of DKK 10 | | | (1.5) | (7.6) | (9.2) |
| Net asset value per share | | | 37.0 | 39.1 | 38.3 |
| Share price at period-end | | | 59 | 50 | 50 |
| Share price/Net asset value per share | | | 1.6 | 1.3 | 1.3 |
| Number of outstanding shares at period-end | | | 26,094 | 26,094 | 26,094 |
| Equity share | | | 65% | 60% | 65% |
| Number of employees, converted to full-time, at year-end | | | 454 | 449 | 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, assumptions and uncertainties
3. Segment reporting
4. Revenue
5. Production costs
6. Research and development costs
7. Inventories
8. Other receivables
9. Other liabilities
10. Financial instruments
11. Related party transactions
12. Incentive plans



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## Income Statement

| DKK million | Note | 1/4-30/6 2013 | 1/4-30/6 2012 | 1/1-30/6 2013 | 1/1-30/6 2012 | 1/1-31/12 2012 |
|---|---|---|---|---|---|---|
| | | *un-audited* | *un-audited* | *un-audited* | *un-audited* | *audited* |
| Revenue | 4 | 350.4 | 277.6 | 556.1 | 445.4 | 1,016.6 |
| Production costs | 5 | 80.5 | 142.1 | 211.7 | 233.4 | 513.5 |
| **Gross profit** | | **269.9** | **135.5** | **344.4** | **212.0** | **503.1** |
| Research and development costs | 6 | 213.2 | 76.0 | 291.3 | 143.5 | 357.4 |
| Distribution costs | | 9.1 | 11.0 | 15.9 | 18.1 | 39.6 |
| Administrative costs | | 37.6 | 29.5 | 74.8 | 61.2 | 137.8 |
| **Total operating costs** | | **259.9** | **116.5** | **382.0** | **222.8** | **534.8** |
| **Income before interest and tax (EBIT)** | | **10.0** | **19.0** | **(37.6)** | **(10.8)** | **(31.7)** |
| Financial income | | (8.1) | 3.3 | 0.3 | 4.4 | 8.9 |
| Financial expenses | | 4.0 | (0.1) | 5.4 | 6.5 | 25.9 |
| **Income before company tax** | | **(2.1)** | **22.4** | **(42.7)** | **(12.9)** | **(48.7)** |
| Tax on income for the period | | (3.2) | (190.8) | 3.6 | (184.8) | (191.3) |
| **Net profit for the period** | | **(5.3)** | **(168.4)** | **(39.1)** | **(197.7)** | **(240.0)** |
| **Earnings per share (EPS) - DKK** | | | | | | |
| -basic earnings per share of DKK 10 | | (0.2) | (6.5) | (1.5) | (7.6) | (9.2) |
| -diluted earnings per share of DKK 10 | | (0.2) | (6.5) | (1.5) | (7.6) | (9.2) |

## Statement of comprehensive income

| DKK million | 1/4-30/6 2013 | 1/4-30/6 2013 | 1/1-30/6 2013 | 1/1-30/6 2012 | 1/1-31/12 2012 |
|---|---|---|---|---|---|
| | *un-audited* | *un-audited* | *un-audited* | *un-audited* | *audited* |
| **Net profit for the period** | **(5.3)** | **(168.4)** | **(39.1)** | **(197.7)** | **(240.0)** |
| **Items that might be reclassified to the income statement:** | | | | | |
| Exchange rate adjustments, investments in subsidiaries | 6.7 | (12.6) | (2.0) | (5.9) | 4.9 |
| Fair value of financial instruments entered into to hedge future cash flow: | | | | | |
| Fair value adjustment for the period | 0.2 | 0.1 | 0.5 | 7.7 | 8.2 |
| Fair value adjustment transferred to revenue | - | 3.0 | - | 3.5 | 6.2 |
| Tax on other comprehensive income | - | (0.8) | (0.1) | (2.8) | (3.6) |
| **Other comprehensive income after tax** | **6.9** | **(10.3)** | **(1.6)** | **2.5** | **15.7** |
| **Total comprehensive income** | **1.6** | **(178.7)** | **(40.7)** | **(195.2)** | **(224.3)** |



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## Statement of financial position

| DKK million | Note | 30/6 2013 | 30/6 2012 | 31/12 2012 |
|---|---|---|---|---|
| | | *un-audited* | *un-audited* | *audited* |
| **Assets** | | | | |
| Acquired patents and licenses | | 16.4 | 12.7 | 17.1 |
| Software | | 4.2 | 6.6 | 5.1 |
| IMVAMUNE development project | | 42.4 | 111.8 | 122.7 |
| Intangible assets in progress | | 2.4 | 2.2 | 3.6 |
| **Intangible assets** | | **65.4** | **133.3** | **148.5** |
| Land and buildings | | 182.9 | 187.9 | 183.6 |
| Leasehold improvements | | 0.8 | 8.5 | 1.3 |
| Plant and machinery | | 92.4 | 100.4 | 91.6 |
| Fixtures and fittings, other plant and equipment | | 26.2 | 23.8 | 27.3 |
| Assets under construction | | 8.6 | 12.0 | 16.8 |
| **Property, plant and equipment** | | **310.9** | **332.6** | **320.6** |
| Other receivables | | 0.7 | 0.8 | 0.7 |
| **Financial assets** | | **0.7** | **0.8** | **0.7** |
| **Deferred tax assets** | | **179.0** | **179.6** | **174.5** |
| **Total non-current assets** | | **556.0** | **646.3** | **644.3** |
| **Inventories** | **7** | **233.2** | **262.7** | **229.2** |
| Trade receivables | | 111.0 | 149.4 | 56.5 |
| Tax receivables | | 1.3 | - | 1.5 |
| Other receivables | 8 | 8.1 | 8.6 | 10.1 |
| Prepayments | | 13.4 | 111.0 | 47.7 |
| **Receivables** | | **133.8** | **269.0** | **115.8** |
| Securities | | 280.6 | 279.3 | 196.4 |
| Cash and cash equivalents | | 294.0 | 232.0 | 353.5 |
| **Securities, cash and cash equivalents** | | **574.6** | **511.3** | **549.9** |
| **Total current assets** | | **941.6** | **1,043.0** | **894.9** |
| **Total assets** | | **1,497.6** | **1,689.3** | **1,539.2** |
| **Equity and liabilities** | | | | |
| Share capital | | 260.9 | 260.9 | 260.9 |
| Retained earnings | | 657.2 | 725.3 | 683.0 |
| Other reserves | | 48.0 | 33.5 | 55.8 |
| **Equity** | | **966.1** | **1,019.7** | **999.7** |
| Provisions | | 18.9 | 15.3 | 17.3 |
| Credit institutions | | 76.2 | 87.0 | 36.9 |
| **Non-current liabilities** | | **95.1** | **102.3** | **54.2** |
| Credit institutions | | 9.0 | 9.2 | 52.4 |
| Prepayment from customers | | 225.4 | 335.0 | 195.6 |
| Trade payables | | 83.6 | 64.1 | 104.2 |
| Company tax | | 0.3 | 0.1 | 2.2 |
| Provisions | | 9.1 | - | 14.8 |
| Other liabilities | 9 | 109.0 | 158.9 | 116.1 |
| **Current liabilities** | | **436.4** | **567.3** | **485.3** |
| **Total liabilities** | | **531.5** | **669.6** | **539.5** |
| **Total equity and liabilities** | | **1,497.6** | **1,689.3** | **1,539.2** |



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## Statement of cash flow

| DKK million | 1/1 - 30/6 2013 | 1/1 - 30/6 2012 | 1/1 - 31/12 2012 |
|---|---|---|---|
| | *un-audited* | *un-audited* | *audited* |
| **Income before interest and tax** | **(37.6)** | **(10.8)** | **(31.7)** |
| Depreciation, amortization and impairment losses | 23.1 | 25.3 | 56.5 |
| Expensing (amortization) of IMVAMUNE development project in progress | 118.3 | - | - |
| Share-based payment | 7.4 | 7.5 | 16.9 |
| Adjustment for other non-cash items | - | 5.6 | 5.3 |
| Changes in inventories | (4.0) | (43.8) | (10.3) |
| Changes in receivables | (18.2) | 53.9 | 208.9 |
| Changes in provisions | (4.0) | - | 16.8 |
| Changes in current liabilities | (0.5) | (97.1) | (226.9) |
| **Cash flows from operations (operating activities)** | **84.5** | **(59.4)** | **35.5** |
| Received financial income | 3.5 | 6.9 | 10.3 |
| Paid financial expenses | (6.4) | (9.8) | (18.9) |
| Exchange rate adjustments intercompany accounts | 1.9 | 4.9 | (4.3) |
| Paid corporation taxes | (1.0) | - | (2.5) |
| **Cash flow from operating activities** | **82.5** | **(57.4)** | **20.1** |
| Investments in intangible assets | (40.0) | (6.2) | (24.3) |
| Investments in property, plant and equipment | (9.9) | (4.8) | (20.9) |
| Disposal of property, plant and equipment | (0.2) | - | 0.1 |
| Investments in/disposal of financial assets | - | (0.4) | (0.3) |
| Investments in/disposal of securities | (87.4) | 33.4 | 116.4 |
| **Cash flow from investment activities** | **(137.5)** | **22.0** | **71.0** |
| Payment on mortgage and bank debt | (4.5) | (4.4) | (9.0) |
| Repurchase of stock options in subsidiary | - | (0.4) | (0.6) |
| **Cash flow from financing activities** | **(4.5)** | **(4.8)** | **(9.6)** |
| **Cash flow of the period** | **(59.5)** | **(40.2)** | **81.5** |
| Cash as of 1 January | 353.5 | 272.1 | 272.1 |
| Currency adjustments 1 January | - | 0.1 | (0.1) |
| **Cash end of period** | **294.0** | **232.0** | **353.5** |
| Securities - highly liquid bonds | 280.6 | 279.3 | 196.4 |
| Credit lines | 120.0 | 120.0 | 120.0 |
| **Cash preparedness** | **694.6** | **631.3** | **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 | - | (39.1) | - | - | - | (39.1) |
| **Other comprehensive income** | | | | | | |
| Exchange rate adjustments, investments in subsidiaries | - | - | (2.0) | - | - | (2.0) |
| Fair value of financial instruments | - | - | - | 0.4 | - | 0.4 |
| **Total comprehensive income for the period** | **-** | **(39.1)** | **(2.0)** | **0.4** | **-** | **(40.7)** |
| **Transactions with owners** | | | | | | |
| Share-based payment (warrants) | - | - | - | - | 7.1 | 7.1 |
| Warrants program expired | - | 13.3 | - | - | (13.3) | - |
| **Total transactions with owners** | **-** | **13.3** | **-** | **-** | **(6.2)** | **7.1** |
| **Shareholders' equity as of 30 June 2013** | **260.9** | **657.2** | **(8.3)** | **(0.1)** | **56.4** | **966.1** |

| 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 | - | (197.7) | - | - | - | (197.7) |
| **Other comprehensive income** | | | | | | |
| Exchange rate adjustments, investments in subsidiaries | - | - | (5.9) | - | - | (5.9) |
| Fair value of financial instruments | - | - | - | 8.4 | - | 8.4 |
| **Total comprehensive income for the period** | **-** | **(197.7)** | **(5.9)** | **8.4** | **-** | **(195.2)** |
| **Transactions with owners** | | | | | | |
| Share-based payment (warrants) | - | - | - | - | 7.3 | 7.3 |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **7.3** | **7.3** |
| **Shareholders' equity as of 30 June 2012** | **260.9** | **725.3** | **(17.1)** | **(2.9)** | **53.5** | **1,019.7** |



Bavarian Nordic A/S Hejreskovvej 10A DK-3490 Kvistgård Denmark Phone: +45 33 26 83 83 Fax: +45 33 26 83 80 www.bavarian-nordic.com CVR-nr: 16 27 11 87

## 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 an addition concerning new matters in the financial statements and the implementation of the amended IAS 1 and IFRS 13, 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).

IMVAMUNE development project
Capitalized development costs regarding the registration of IMVAMUNE under the RFP-3 contract with the U.S. Government are expensed (amortized) and recognized in the income statement under research and development costs when the related income on delivery of the development results have been earned and recognized as revenue, which may be before the completion of the development project and obtaining of approval. When the development has been completed and IMVAMUNE has been approved by the FDA, the remaining carrying amount will be amortized in step with the delivery of doses over the expected economic life of the asset. In the income statement, the amortization is recognized under research and development costs.

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

IAS 1 and IFRS 13
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, assumptions and uncertainties**

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, assumptions and uncertainties which are stated in the Annual Report 2012, the Management has not performed significant estimates and judgments regarding recognition and measurement.

IMVAMUNE development project
Management has assessed that development costs relating to the registration of IMVAMUNE under the RFP-3 contract with the U.S. Government continue to meet the conditions for capitalization. The carrying amount of the IMVAMUNE development project at 30 June 2013 was DKK 42 million (DKK 112 million).

In the second quarter, the company started expensing (amortizing) capitalized development costs under the IMVAMUNE project, as the company is receiving payment for the delivered development results as from 2013 and recognizing payments as revenue when received. Management believes that the development results have been delivered at the time when the company's right to payment has vested, and that the delivered development results represent a separate value to the U.S. Government. Accordingly, expensing (amortization) of the development costs is commenced before completion of the project and approval of IMVAMUNE. From the date when approval is obtained from the FDA and the smallpox vaccine is thus completed, the remaining carrying amount of the IMVAMUNE development project is amortized in step with the delivery of doses over the expected economic life of the asset.



Bavarian Nordic A/S Hejreskovvej 10A DK-3490 Kvistgård Denmark Phone: +45 33 26 83 83 Fax: +45 33 26 83 80 www.bavarian-nordic.com CVR-nr: 16 27 11 87

**3. Segment reporting**

The Group consists of two primary business areas: Cancer Immunotherapy 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 - 30/6 2013**

| DKK million | Cancer Immunotherapy | Infectious Diseases | Holding | Total |
|---|---|---|---|---|
| IMVAMUNE sales | - | 299.1 | - | 299.1 |
| IMVAMUNE sales, development results | - | 173.0 | - | 173.0 |
| Contract work | - | 84.0 | - | 84.0 |
| **Revenue** | **-** | **556.1** | **-** | **556.1** |
| Depreciations | 2.4 | 17.5 | 3.2 | 23.1 |
| **Income before interest and tax** | **(142.9)** | **153.4** | **(48.1)** | **(37.6)** |
| Purchase/sale () of internal services | 0.9 | (0.9) | - | - |
| Distribution of the holding costs | 6.5 | 23.2 | (29.7) | - |
| **Income before interest and tax after allocations** | **(150.3)** | **131.1** | **(18.4)** | **(37.6)** |
| Investments | 3.6 | 45.3 | 1.0 | 49.9 |

**Period 1/1 - 30/6 2012**

| DKK million | Cancer Immunotherapy | Infectious Diseases | Holding | Total |
|---|---|---|---|---|
| IMVAMUNE sales | - | 386.6 | - | 386.6 |
| Contract work | - | 58.8 | - | 58.8 |
| **Revenue** | **-** | **445.4** | **-** | **445.4** |
| Depreciations | 3.3 | 17.9 | 4.1 | 25.3 |
| **Income before interest and tax** | **(107.3)** | **140.1** | **(43.6)** | **(10.8)** |
| Purchase/sale () of internal services | 0.3 | (0.3) | - | - |
| Distribution of the holding costs | 5.7 | 24.1 | (29.8) | - |
| **Income before interest and tax after allocations** | **(113.3)** | **116.3** | **(13.8)** | **(10.8)** |
| Investments | 1.0 | 8.5 | 1.5 | 11.0 |



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| DKK million | 1/4-30/6 2013 | 1/4-30/6 2012 | 1/1-30/6 2013 | 1/1-30/6 2012 | 1/1-31/12 2012 |
|---|---|---|---|---|---|
| | *un-audited* | *un-audited* | *un-audited* | *un-audited* | *audited* |
| **4. Revenue** | | | | | |
| IMVAMUNE sale | 133.3 | 239.1 | 299.1 | 386.6 | 877.5 |
| IMVAMUNE sale, development results | 173.0 | - | 173.0 | - | - |
| Contract income | 44.1 | 38.5 | 84.0 | 58.8 | 133.3 |
| Product sale | - | - | - | - | 5.8 |
| **Revenue** | **350.4** | **277.6** | **556.1** | **445.4** | **1,016.6** |
| Total revenue includes: | | | | | |
| Fair value adjustment transferred from equity concerning financial instruments entered into to hedge revenue | - | (3.0) | - | (3.5) | (6.2) |
| **5. Production costs** | | | | | |
| Cost of goods sold, IMVAMUNE sale | 53.6 | 126.7 | 125.9 | 199.9 | 415.8 |
| Contract costs | 23.8 | 23.9 | 50.1 | 37.3 | 82.0 |
| Cost of goods sold, product sale | - | - | - | - | 1.0 |
| Other production costs | 3.1 | (8.5) | 35.7 | (3.8) | 14.7 |
| **Production costs** | **80.5** | **142.1** | **211.7** | **233.4** | **513.5** |
| **6. Research and development costs** | | | | | |
| Total research and development costs for the period | 146.5 | 102.7 | 261.1 | 185.1 | 454.6 |
| Hereof contract costs recognized as production costs | (23.8) | (23.9) | (50.1) | (37.3) | (82.0) |
| Hereof capitalized development costs | (27.8) | (2.8) | (38.0) | (4.3) | (15.2) |
| | **94.9** | **76.0** | **173.0** | **143.5** | **357.4** |
| Expensing (amortization) of IMVAMUNE development project in progress | 118.3 | - | 118.3 | - | - |
| **Research and development costs** | **213.2** | **76.0** | **291.3** | **143.5** | **357.4** |

| DKK million | 30/6 2013 | 30/6 2012 | 31/12 2012 |
|---|---|---|---|
| | *un-audited* | *un-audited* | *audited* |
| **7. Inventories** | | | |
| Raw materials and supply materials | 15.7 | 24.3 | 25.3 |
| Work in progress | 256.3 | 204.2 | 183.4 |
| Manufactured goods and commodities | 22.7 | 78.3 | 52.0 |
| Write-down on inventory | (61.5) | (44.1) | (31.5) |
| **Inventories** | **233.2** | **262.7** | **229.2** |
| Write-down on inventory 1 January | (31.5) | (55.4) | (55.4) |
| Write-down during the period | (42.8) | (32.1) | (19.5) |
| Use of write-down | 2.5 | 36.0 | 36.0 |
| Reversal of write-down | 10.3 | 7.4 | 7.4 |
| **Write-down end of period** | **(61.5)** | **(44.1)** | **(31.5)** |



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| DKK million | 30/6 2013 | 30/6 2012 | 31/12 2012 |
|---|---|---|---|
| | *un-audited* | *un-audited* | *audited* |
| **8. Other receivables** | | | |
| Receivable VAT and duties | 3.5 | 5.0 | 5.4 |
| Accrued interest | 3.1 | 2.7 | 3.1 |
| Other receivables | 1.5 | 0.9 | 1.6 |
| **Other receivables** | **8.1** | **8.6** | **10.1** |
| **9. Other liabilities** | | | |
| Financial instruments at fair value | 5.1 | 46.4 | 19.0 |
| Liability relating to phantom shares | 0.8 | 0.3 | 0.5 |
| Payable salaries, holiday accrual etc. | 27.2 | 45.7 | 51.0 |
| Other accrued costs | 75.9 | 66.5 | 45.6 |
| **Other liabilities** | **109.0** | **158.9** | **116.1** |

**10. 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 30 June 2013 (un-audited)**

| DKK million | Level 1 | Level 2 | Total |
|---|---|---|---|
| Securities | 280.6 | - | 280.6 |
| **Financial assets measured at fair value in the income statement** | **280.6** | **-** | **280.6** |
| Derivative financial instruments to hedge future cash flows (interest) | - | (0.2) | (0.2) |
| **Financial liabilities used as hedging instruments** | **-** | **(0.2)** | **(0.2)** |
| Derivative financial instruments at fair value in the income statement (held for trading, currency) | - | (4.9) | (4.9) |
| **Financial liabilities measured at fair value in the income statement** | **-** | **(4.9)** | **(4.9)** |

**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) | - | (0.8) | (0.7) |
| **Financial liabilities used as hedging instruments** | **-** | **(0.8)** | **(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)** |



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**11. 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.

**12. Incentive plans**

**Outstanding warrants as of 30 June 2013**

| | Outstanding as of 1 January | Addition during the period | Options exercised | Annulled | Terminated | Transferred | Outstanding as of 30 June |
|---|---|---|---|---|---|---|---|
| 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 | - | - | (23,844) | (92,317) | (75,896) | 934,813 |
| Retired employees | 214,210 | - | - | - | (52,185) | 146,095 | 308,120 |
| **Total** | **1,941,209** | **50,000** | **-** | **(23,844)** | **(244,062)** | **-** | **1,723,303** |
| **Weighted average exercise price** | **107** | **55** | **-** | **71** | **97** | **-** | **107** |
| Numbers of warrants which can be exercised as of 30 June 2013 | | | | | | | 397,375 |

The total recognized cost of the warrant programs was DKK 7.1 million in the first six months of 2013 (2012: DKK 7.3 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 Immunotherapy. 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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