Bavarian Nordic A/S – Interim Report for the period 1 January to 30 September 2008

In the first nine months of 2008 Bavarian Nordic generated revenue of DKK 45 million and recorded a loss before tax of DKK 195 million. The expectations for the financial result for the full year 2008 are maintained at revenues in the level of DKK 180 million, and a pre-tax loss in the level of DKK 225 million. The main part of the revenue comprises of a milestone payment under the RFP-3 contract, which is expected in the fourth quarter of 2008. As of 30 September 2008 the Group's net free liquidity was DKK 782 million.

Significant progress was reported in Bavarian Nordic's pipeline during the first 9 months of 2008. Two new projects have entered the pipeline; Anthrax in preclinical development and PROSTVAC™ in late Phase II development. With both the HIV *multiantigen* and the MVA-BN® prostate cancer programme entering Phase I/II trials earlier this year, the number of projects in clinical development has doubled since the beginning of the year. Our most advanced new product, PROSTVAC™ - a late stage prostate cancer vaccine candidate, was acquired as part of a newly established partnership with the National Cancer Institute. PROSTVAC™, which in clinical studies has shown to extend lives with up to 8.5 months in patients with metastatic prostate cancer, has potential to fulfil an unmet medical need and offers a potential breakthrough and real hope for patients suffering from advanced prostate cancer. Bavarian Nordic is now preparing for Phase III studies with the vaccine, planned for first half 2010.

These recent events have bolstered the Company's strategy to reinforce the cancer business area as announced earlier in 2008.

Key highlights from the period

- In August, Bavarian Nordic announced a scientific partnership with National Cancer Institute in the US. As part of this collaboration, PROSTVAC™ - a candidate in late phase II clinical development was obtained.

- More than 2,200 individuals have now been vaccinated with IMVAMUNE® - including more than 750 immune-compromised subjects.

Events after the period

- In October, Bavarian Nordic announced positive Phase II results with PROSTVAC™. The results from the Phase II prospective randomized placebo-controlled study of 125 patients with advanced prostate cancer after 4 years of follow-up show that patients receiving PROSTVAC™ had a statistically significantly longer median overall survival by 8.5 months (p=0.015) compared to the control group. Currently the only approved treatment for advanced prostate cancer extends median overall survival by an average of approximately 2 months. In addition, PROSTVAC™ also had a favourable safety and tolerability profile.

Anders Hedegaard, CEO and President of Bavarian Nordic, commented on the development: "*We are successfully on track to complete our primary objectives for 2008 that were established when we announced our updated strategy earlier this year. Our recent acquisition of PROSTVAC™ and the exciting Phase II results that were recently reported have created an even stronger and well-balanced platform for Bavarian Nordic's future development. Our pipeline is strengthened in our strategic focus areas and we will now concentrate on taking our most advanced projects, IMVAMUNE® and PROSTVAC™ into Phase III within the next couple of years. This will take Bavarian Nordic to a new level and it offers exciting opportunities to the company. The company still expects to initiate delivery of the 20 million doses of IMVAMUNE® under the RFP-3 contract in 2009.*"

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Webcast
In connection with the release of the interim report, a recorded webcast presentation with CEO, Anders Hedegaard will be available on the company' website from Tuesday, November 4th at 09:00 am. The webcast can be accessed from www.bavarian-nordic.com/webcast

About Bavarian Nordic
Bavarian Nordic A/S is a leading industrial biotechnology company developing and producing novel vaccines for the treatment and prevention of life-threatening diseases with a large unmet medical need. The company's business strategy is focused in three areas: biodefence, cancer and infectious diseases. Bavarian Nordic's proprietary and patented technology MVA-BN® is one of the world's safest, multivalent vaccine vectors. Bavarian Nordic has ongoing contracts with the U.S. government for the late-stage development and procurement of the company's third-generation smallpox vaccine, IMVAMUNE®. Bavarian Nordic is listed on the NASDAQ OMX Copenhagen under the symbol BAVA.
For more information please visit www.bavarian-nordic.com

Management Report

Bavarian Nordic's pipeline currently comprises of seven products in development, of which two products are in late-stage Phase II clinical development with expected Phase III initiation in 2009 and 2010.

PIPELINE	Programme	Status	Next milestone
Biodefense	Smallpox (IMVAMUNE®)	Phase II	Initiate Phase III (2009)
	Anthrax	Preclinical	Phase I
Cancer	PROSTVAC™	Phase II	Phase III (H1, 2010)
	Breast Cancer (MVA-BN®-HER2)	Phase I/II	Final data (2008/2009)
	Prostate Cancer (MVA-BN® PRO)	Phase I/II	Preliminary data (H2, 2009)
Infectious diseases	HIV *multiantigen*	Phase I/II	Initial immunogenicity data (H1, 2009)
	Measles and RSV	Phase I	Initiate Phase I in children (H1, 2009)

Biodefense

IMVAMUNE® - third generation smallpox vaccine

To date, more than 2,200 subjects have been vaccinated with IMVAMUNE® in 11 completed and ongoing Phase I and Phase II clinical trials. A large proportion of these study subjects (more than 750) are immune-compromised, i.e. HIV infected or diagnosed with Atopic Dermatitis (AD).

The company still expects to initiate delivery of the 20 million doses of IMVAMUNE® under the RFP-3 contract in 2009.

Bavarian Nordic is currently finalizing the completion of the Phase II smallpox data package in HIV patients that includes the interim safety data set from a Phase II study in over 300 HIV infected subjects who had no prior smallpox vaccination. Recruitment in this study was completed in the second quarter of 2008. The interim safety report of this study represents an essential part of the data package that will be submitted to the U.S. Health Authorities for evaluating whether the collective data can support the use of IMVAMUNE® as a smallpox vaccine in a declared emergency. Submission of this data to the U.S. authorities will fulfil the requirements of a milestone payment of USD 25 million under the RFP-3 contract by end of 2008.

The complete data set from this trial is expected to be reported in the second half of 2009. The final report will include data on immunogenicity as well as long-term (6-month) safety information and will contain data from subjects enrolled in an additional study arm funded by the NIH under RFP-2 (HIV infected subjects with a history of previous exposure to a conventional smallpox vaccine).

An end of Phase II meeting has been requested with the FDA in order to discuss the Phase III study design and data requirements for a biologic licence application (BLA) with the FDA. The meeting is expected to take place early in 2009.

Recruitment of the Phase II study in patients diagnosed with AD funded under RFP-2 is continuing. Together with a previous Phase I study, the use of IMVAMUNE® in this population has so far been shown to be safe and well tolerated in more than 200 subjects diagnosed with AD; another population excluded from vaccination with traditional smallpox vaccines. The active study phase is planned to be completed in the first quarter of 2009, due to a slight delay in the recruiting of this difficult population, although this has no effect on the planned completion of the study, during the second half of 2009.

As planned, Bavarian Nordic has initiated a Phase II study to demonstrate the effect of IMVAMUNE® when administered as a booster dose (re-vaccination) two years after primary vaccination with IMVAMUNE®. Recruitment is currently ongoing and expected to be completed by the end of 2008.

The planned initiation of a study in subjects between 56 and 80 years of age to generate safety and immunogenicity data in an elderly population has been postponed until the first half of 2009.

Cancer immunotherapy

Bavarian Nordic has reported significant progress within its cancer business area over the past months, thus fulfilling the Company's objective to enhance this strategically important area. In short time, Bavarian Nordic has advanced the pipeline with two MVA-BN® based cancer product candidates successfully entering clinical trials. The cancer business area was even further boosted with the recent announced scientific partnership with National Cancer Institute (NCI) in the US and the acquisition of PROSTVAC™.

Bavarian Nordic now has two projects in prostate cancer and one in breast cancer – two of the leading types of cancer. Prostate cancer is the most common form of cancer with more than 500,000 new diagnosed patients globally per year and only limited treatment options. With estimated more than 140,000 related deaths annually, prostate cancer is the third leading cause of cancer related deaths in men. Limited treatment options in metastatic prostate cancer clearly establish a need for new, improved therapies. The recently announced Phase II results show that PROSTVAC™ has the potential to fulfil an unmet medical need and offers a potential breakthrough and real hope for patients suffering from advanced prostate cancer.

PROSTVAC™ - promising Phase II results leads to Phase III in 2010
In October, after evaluating new data from a prospectively randomized, placebo-controlled study, Bavarian Nordic reported the resulting positive mature Phase II data with PROSTVAC™ that showed statistically significant improved overall survival.

The results from this study of 125 patients with metastatic prostate cancer after 4 years of follow-up show that patients receiving PROSTVAC™ had a statistically significantly longer median overall survival by 8.5 months (p=0.015) compared to the control group. Currently the only approved treatment for advanced prostate cancer extends median overall survival by an average of approximately 2 months. In addition, PROSTVAC™ also had a favourable safety and tolerability profile.

The study results will be published in full over the coming period.

About PROSTVAC™
PROSTVAC™ (Vaccinia-PSA-TRICOM and Fowlpox-PSA-TRICOM) is a therapeutic vaccine moving into late stage clinical development that has the potential to extend the lives of people with advanced prostate cancer. The vaccine induces a specific, targeted immune response that attacks metastatic cells in the prostate. Conventional chemotherapy currently used to treat prostate cancer has limited survival rates and is often associated with numerous side effects. In contrast, PROSTVAC™ has the potential to extend survival with improved quality of life.

In clinical trials to date PROSTVAC™ has been investigated in 464 patients.

Preparing for Phase III
Based on the promising results, Bavarian Nordic expects to initiate confirmatory Phase III studies for PROSTVAC™ together with NCI in the first half of 2010 when the clinical product is ready. This will form the basis of approval for this therapy.

The Company expects to be able to leverage existing production facilities in the clinical and launch production of PROSTVAC™. This will require limited investments. Currently, the transfer and validation of the production process is ongoing, and if successful it is expected that the clinical product will be ready for the planned initiation of Phase III trials in the first half of 2010.

MVA-BN®-HER2 (breast cancer)
Earlier this year Bavarian Nordic reported interim data from its Phase I/II studies with the therapeutic breast cancer vaccine candidate, MVA-BN®-HER2, with expected final Phase I/II data around the turn of the year 2008/2009.

MVA-BN® PRO (prostate cancer)
The Company's MVA-BN® based prostate cancer vaccine candidate entered clinical trials earlier this year and preliminary data from a study in 18 male patients with non-metastatic hormone-insensitive prostate cancer is expected during second half year 2009.

Infectious diseases

MVA-BN® HIV *multiantigen*
Enrolment has now been completed in the Phase I/II safety and immunogenicity study in 15 HIV-infected patients (CD4 counts > 350 ul/ml) that was initiated in the United States earlier this year. The vaccine

candidate has been well tolerated and no serious adverse events have been reported, further confirming the excellent safety profile of MVA-BN® based vaccines in this immune compromised population. Initial immunogenicity data will be available during the first half of 2009.

Childhood vaccines (measles and RSV)
Bavarian Nordic is currently planning to conduct a Phase I study in six month to six years old children. This will be the first trial evaluating the safety and immunogenicity of an MVA-BN® based vaccine in children and represents a major milestone in the Company's plans to develop childhood vaccines based on the MVA-BN® technology. Ethics approval has been granted for the initiation of the study, although minor delays in the final government approval means the trial will now be initiated in early 2009.

Incentive programmes

New warrant programme
In October, the Board of Directors in Bavarian Nordic A/S awarded warrants to management, certain members of management in subsidiaries and the Board of Directors. Furthermore an incentive programme for all employees was introduced.

A total of 175,000 warrants are awarded for subscription of up to 175,000 shares of a nominal value of DKK 10 at an exercise price of DKK 156 per share. Under this program the Board of Directors will receive a total of 20,000 warrants, CEO & President 20,000 warrants, members of executive management 75,000 warrants and Managerial Staff a total of 60,000 warrants.

The value of each warrant equals DKK 49 and is calculated on the Black-Scholes model with a risk-free interest rate of 4.5 per cent and on the historical volatility of the shares. The calculation is based on a market value of the share of DKK 156 per share.

New incentive programme
With effect from 1 November 2008, a three year incentive programme is introduced for all employees in the company, Bavarian Nordic GmbH and Bavarian Nordic Inc. The programme is a cash bonus programme based on so-called phantom shares (bonus programme based on the company's shares). This means that each employee in the program will be entitled to exercise a number of phantom shares when the programme expires in 2011 and, thus, receive a cash bonus calculated from the increase in the company's share price. Exercise of phantom shares is subject to the company's share price exceeding the exercise price by at least 10 per cent at the time of exercise in 2011.

Every month each employee is awarded up to three phantom shares per month of employment until November 2011. The exercise price has been established to be DKK 156, on the basis of the same terms that apply to the abovementioned warrants.

Based on the current number of employees in the company, Bavarian Nordic GmbH and Bavarian Nordic Inc this 3 year incentive program will comprise up to 28,296 phantom shares. The average value of each phantom share equals DKK 30 for existing employees in the company. The value is calculated on the basis of the Black-Scholes model subject to the same conditions that applies to the warrants.

The number of outstanding warrants in the company amount to (as of 4 November 2008):

Program	**2006**	**2007**	**2007**	**2008**
Exercise price (DKK)	542	549	505	156
Exercise period	2 weeks in Q4-2009 and/or Q2-2010	2 weeks in Q4-2010 and/or Q2-2011	2 weeks in Q4-2010 and/or Q2-2011	2 weeks in Q3-2011 and/or Q2 2012 and/or Q3 2012 and/or Q2 2013
Number of warrants:				
Board of Directors	15,837	15,000	-	20,000
CEO & President	-	30,000	-	20,000
Group Management	47,515	30,000	10,000	75,000
Other Employees	51,731	57,000	-	60,000
Retired Employees	28,507	23,000	-	-
Total	**143,590**	**155,000**	**10,000**	**175,000**

Financial statement for the period (1 January – 30 September 2008, un-audited)

The comparison figures for the same period 2007 are stated in parenthesis.

The revenue totalled DKK 22 million (DKK 23 million) in the third quarter. Year to date revenue is DKK 45 million (DKK 64 million). The revenue derives from sale under the RFP-2 contract with the U.S. health authorities. The activity of this development contract is lower compared to the same period last year due to fewer clinical trials completed in 2008 compared to 2007. Four clinical trials incurred significant costs in first half 2007 and only two clinical trials incurred significant costs in the third quarter of 2008.

Production costs totalled DKK 62 million (DKK 27 million) in the third quarter. Year to date production costs is DKK 101 million (DKK 49 million). The production costs are higher due to the start-up of routine production at the Kvistgård facility which proceeds according to schedule.

The Group's research and development costs totalled DKK 26 million (DKK 50 million) in the third quarter excluding development costs from the RFP-3 contract of DKK 13 million, which are capitalised as intangible assets under construction. Year to date research and development costs are DKK 98 million (DKK 175 million) excluding development costs from the RFP-3 contract of DKK 31 million, which are capitalised as intangible

Sales and administrative costs totalled DKK 23 million (DKK 26 million) in the third quarter. Year to date costs for sales and administration are DKK 70 million (DKK 67 million).

Income before tax is a deficit of DKK 76 million (deficit of DKK 76 million) in the third quarter. Year to date Income before tax is a deficit of DKK 195 million (deficit of DKK 219 million).

Net result in the third quarter was a deficit of DKK 60 million (deficit of DKK 62 million). Year to date the result is a deficit of DKK 155 million (deficit of DKK 190 million).

As of 30 September 2008 the Group's net free liquidity was DKK 782 million (DKK 492 million). Year to date cash flow from operations is negative with DKK -66 million (DKK -204 million). Cash flow from investment activities is DKK -55 million (DKK -101 million) and cash flow from financing activities is DKK -11 million (DKK +445 million). The net changes in cash and cash equivalents is negative with DKK -133 million (DKK +140 million) year to date.

As stated in the interim report for the period 1 January to 30 June 2008 the management has in August decided to realise the fair value of DKK 153 million on the USD 200 million forward exchange contracts to improve the company's cash position. The first part has expired and has contributed to the cash position with additional DKK 19 million. As stated earlier this transaction does only impact the cash position of the company and has no impact on the Income Statement or the Equity until the fair value from the hedge accounting is recognised together with USD revenue under the RFP-3 contract.

Financial expectations

The 2008 guidance for the financial result is unchanged with revenue in the level of DKK 180 million, and a pre-tax deficit in the level of DKK -225 million. The main part of the revenue comprises of a milestone payment under the RFP-3 contract, which is expected in the last quarter of 2008. The net free liquidity at year-end 2008 is approx. DKK 620 million (unchanged).

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 September 2008.

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 September 2008 and the results of the group's activities and cash flows for the period 1 January to 30 September 2008.

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

Kvistgård, 4 November 2008

Corporate Management:

Anders Hedegaard
President and CEO

Board of Directors:

Asger Aamund
Chaiman of the Board

Claus Bræstrup | Erling Johansen | Gerard van Odijk | Flemming Pedersen

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.

Condensed Group Key Figures

(DKK million)	1/7-30/9 2008	1/7-30/9 2007	1/1-30/9 2008	1/1-30/9 2007	1/1-31/12 2007
Income statements					
Revenue	22.0	22.6	45.0	64.0	332.1
Production costs	62.2	27.3	101.2	49.1	64.4
Research and Development costs	26.2	50.3	97.7	174.8	243.6
Sales and Administrative costs	23.3	25.7	70.0	67.1	89.1
Income before interest and taxes	(89.7)	(80.7)	(223.9)	(227.0)	(65.0)
Net financial income	13.3	4.6	28.8	8.1	14.5
Income before company tax	(76.4)	(76.1)	(195.1)	(218.9)	(50.5)
Result for the period	(59.5)	(62.1)	(155.2)	(189.8)	(63.5)
Balance sheet					
Total non-current assets			582.9	621.0	538.8
Total current assets			1,067.0	656.8	1,193.3
Total assets			1,649.9	1,277.8	1,732.1
Shareholders equity			1,026.8	1,077.4	1,217.7
Non current liabilities			102.3	115.5	134.7
Current liabilities			520.8	84.9	379.7
Cash flow statements					
Net cash including securities			781.5	572.0	913.6
Cash flow from operating activities			(66.1)	(203.7)	163.2
Cash flow from investment activities			(55.4)	(101.1)	(16.1)
Investment in tangible assets			(18.9)	(1.4)	(5.8)
Cash flow from financing activities			(11.2)	444.5	440.4
Financial Ratios (DKK) [1]					
Earnings per share			(19.5)	(25.4)	(8.0)
PE, price/earnings ratio			130.8	137.6	155.7
Share price/Net assets value per share			1.0	3.3	1.9
Shareholders equity share			62%	84%	70%
Share price at the year-end			137	448	293
Numbers of outstanding shares at the end of the period, thousands			7,816	7,816	7,816
Number of employees, at the end of the period			285	254	264

[1]) Earnings per share are calculated in accordance with IAS 33 "Earnings per share".
Other key ratios have been calculated in accordance with "Anbefalinger og Nøgletal 2005" from Finansanalytikerforeningen.

[2]) The figures for previous accounting periods are adjusted in accordance with IAS 33 and the definition in the 2007 Annual Report, page 43.

*) The interim report is un-audited

Notes

(stated on last page)

1. Accounting policies
2. Significant accounting estimates and judgements
3. Transactions with related parties
4. Intangible assets under construction
5. Other receivables

Condensed Group Income Statements

(DKK million)	1/7-30/9 2008	1/7-30/9 2008	1/1-30/9 2008	1/1-30/9 2007	1/1-31/12 2007
Revenue	22.0	22.6	45.0	64.0	332.1
Production costs	62.2	27.3	101.2	49.1	64.4
Gross profit	**(40.2)**	**(4.7)**	**(56.2)**	**14.9**	**267.7**
Research and Development costs	26.2	50.3	97.7	174.8	243.6
Sales and Administrative costs	23.3	25.7	70.0	67.1	89.1
Total operating costs	**49.5**	**76.0**	**167.7**	**241.9**	**332.7**
Income before interest and tax	**(89.7)**	**(80.7)**	**(223.9)**	**(227.0)**	**(65.0)**
Financial income	23.2	7.6	47.2	18.2	25.7
Financial expenses	(9.9)	(3.0)	(18.4)	(10.1)	(11.2)
Income before company tax	**(76.4)**	**(76.1)**	**(195.1)**	**(218.9)**	**(50.5)**
Tax on income for the period	16.9	14.0	39.9	29.1	(13.0)
Net profit for the period	**(59.5)**	**(62.1)**	**(155.2)**	**(189.8)**	**(63.5)**
Distribution of result					
Parent Company's part of the result	(58.4)	(61.2)	(152.2)	(187.3)	(60.0)
Minority Interest	(1.1)	(0.9)	(3.0)	(2.5)	(3.5)
Earnings per share (EPS) - DKK					
-basic earnings per share of DKK 10.00[1)]	(7.5)	(7.8)	(19.5)	(25.4)	(8.0)
-diluted earnings, per share of DKK 10.00[1)]	(7.5)	(7.8)	(19.5)	(25.4)	(8.0)

[1)] The figures for previous accounting periods are adjusted in accordance with IAS 33 and the definition in the 2007 Annual Report, page 43.

Condensed Group Balance Sheet - Assets

(DKK million)	Note	30/9 2008	30/9 2007	31/12 2007
Purchased rights		2.8	3.3	3.1
Software		1.3	5.4	4.3
Assets under construction	4	53.7	-	16.9
Intangible assets		**57.8**	**8.7**	**24.3**
Land and buildings		155.9	160.7	159.2
Leasehold improvements		1.5	2.8	2.4
Plant and machinery		179.2	199.8	200.6
Machinery, equipment and furniture		13.6	14.0	14.3
Assets under construction		15.5	0.9	2.7
Tangible assets		**365.7**	**378.2**	**379.2**
Other financial non-current assets		0.2	55.6	0.2
Deferred tax assets		159.2	178.5	135.1
Financial assets		**159.4**	**234.1**	**135.3**
Total non-current assets		**582.9**	**621.0**	**538.8**
Raw materials and supply materials		15.1	13.0	11.6
Own produced goods		47.9	-	-
Inventories		**63.0**	**13.0**	**11.6**
Trade receivables		13.1	14.6	144.9
Other receivables	5	177.4	20.1	110.6
Pre-payments and accrued income		32.0	37.1	12.6
Receivables		**222.5**	**71.8**	**268.1**
Securities		225.4	330.9	224.8
Cash and cash equivalents		556.1	241.1	688.8
Total current assets		**1,067.0**	**656.8**	**1,193.3**
Total assets		**1,649.9**	**1,277.8**	**1,732.1**

Condensed Group Balance Sheet - Equity and liabilities

(DKK million)	30/9 2008	30/9 2007	31/12 2007
Share capital	78.2	78.2	78.2
Retained earnings	891.9	999.0	1,046.1
Other reserves	51.9	(1.4)	92.7
Equity, parent company	**1,022.0**	**1,075.8**	**1,217.0**
Equity, minority interest	4.8	1.6	0.7
Equity	**1,026.8**	**1,077.4**	**1,217.7**
Other provisions	-	1.5	-
Credit institutions	102.3	114.0	134.7
Non-current liabilities	**102.3**	**115.5**	**134.7**
Other provisions	0.1	0.9	0.7
Credit institutions	35.9	40.0	15.1
Prepayment from customer	276.6	-	276.6
Accounts payable	23.1	17.4	21.6
Company tax	1.8	2.0	0.1
Other debts	183.3	24.6	65.6
Current liabilities	**520.8**	**84.9**	**379.7**
Total liabilities	**623.1**	**200.4**	**514.4**
Total liabilities and shareholders´ equity	**1,649.9**	**1,277.8**	**1,732.1**

Condensed Group Cash Flow Statements

(DKK million)	30/9 2008	30/9 2007	31/12 2007
Income before interest and tax	**(223.9)**	**(227.0)**	**(65.0)**
Depreciations, amortisation and write-down	35.4	35.4	40.1
Share-based payment	4.9	2.0	5.0
Changes in inventories	(51.4)	(1.9)	1.3
Changes in receivables	21.7	(0.1)	(132.5)
Changes in provisions	(0.6)	(3.4)	(3.6)
Changes in current liabilities	120.9	(19.2)	305.4
Cash flow from operating activities	**(93.0)**	**(214.2)**	**150.7**
Financial income	47.2	18.2	25.7
Financial expenses	(18.4)	(10.1)	(11.2)
Paid taxes during the year	(1.9)	2.4	(2.0)
Cash flow from operations	**(66.1)**	**(203.7)**	**163.2**
Investments in intangible assets	(36.0)	-	(16.9)
Investments in tangible assets	(18.9)	(1.4)	(5.8)
Investments in financial assets	0.1	(0.1)	0.1
Investments in securities	(0.6)	(99.6)	6.5
Cash flow from investment activities	**(55.4)**	**(101.1)**	**(16.1)**
Payment on mortgage debt	(1.1)	(1.0)	(1.3)
Payment on leasing liabilities	(10.1)	(10.8)	(14.5)
Winding up bank loan	-	(35.0)	(35.0)
Proceeds from issue of new shares	-	465.5	465.4
Expenses regarding issue of new shares	-	(21.9)	(22.0)
Proceeds from issue of new shares from warrant programme	-	47.7	47.8
Cash flow from financing activities	**(11.2)**	**444.5**	**440.4**
Net changes in cash and cash equivalents	**(132.7)**	**139.7**	**587.5**
Cash and cash equivalents, 1 January	688.8	101.4	101.4
	-	-	-
Cash and cash equivalents, end of period	**556.1**	**241.1**	**688.9**
Securities - highly liquid bonds	225.4	330.9	224.8
Trusted/pledged funds	-	(80.0)	(80.0)
Credit lines	20.0	20.0	20.0
Financial reserves	**801.5**	**512.0**	**853.7**

Condensed Statement of Changes in Equity - Group

(DKK million)	Share capital	Retained earnings	Reserves for exchange rate adjustments	Reserves for fair value of financial instruments	Equity Parent Company	Equity Minority	Equity Group
Shareholders equity as of 1 Jan 2008	**78.2**	**1,046.0**	**(1.3)**	**94.1**	**1,217.0**	**0.7**	**1,217.7**
Adjustment on financial instruments as of 1January 2008	-	-	-	(23.7)	(23.7)	-	(23.7)
Fair value of financial instruments	-	-	-	(25.0)	(25.0)	-	(25.0)
Tax effect on hedging	-	-	-	4.5	4.5	-	4.5
Exchange rate adjustments	-	-	3.3	-	3.3	0.3	3.6
Transactions recorded on equity	**-**	**-**	**3.3**	**(44.2)**	**(40.9)**	**0.3**	**(40.6)**
Net profit	-	(152.2)	-	-	(152.2)	(3.0)	(155.2)
Net income	**-**	**(152.2)**	**3.3**	**(44.2)**	**(193.1)**	**(2.7)**	**(195.8)**
Share-based payment	-	4.7	-	-	4.7	0.2	4.9
Transfer to minority interest	-	(6.6)	-	-	(6.6)	6.6	-
Other transactions	**-**	**(1.9)**	**-**	**-**	**(1.9)**	**6.8**	**4.9**
Shareholders equity as of 30 Sep 2008	**78.2**	**891.9**	**2.0**	**49.9**	**1,022.0**	**4.8**	**1,026.8**

(DKK million)							
Shareholders equity as of 1 Jan 2007	**63.8**	**624.2**	**(1.2)**	**-**	**686.8**	**4.6**	**691.4**
Fair value of financial instruments	-	83.2	-	-	83.2	-	83.2
Exchange rate adjustments	-	-	(0.2)	-	(0.2)	(0.5)	(0.7)
Transactions recorded on equity	**-**	**83.2**	**(0.2)**	**-**	**83.0**	**(0.5)**	**82.5**
Net profit	-	(187.3)	-	-	(187.3)	(2.5)	(189.8)
Net income	**-**	**(104.1)**	**(0.2)**	**-**	**(104.3)**	**(3.0)**	**(107.3)**
Proceeds from issue of new shares	12.8	452.7	-	-	465.5	-	465.5
Expenses from issue of new shares	-	(21.9)	-	-	(21.9)	-	(21.9)
Proceeds from exercise of warrant programme	1.6	46.1	-	-	47.7	-	47.7
Share-based payment	-	2.0	-	-	2.0	-	2.0
Other transactions	**14.4**	**478.9**	**-**	**-**	**493.3**	**-**	**493.3**
Shareholders equity as of 30 Sep 2007	**78.2**	**999.0**	**(1.4)**	**-**	**1,075.8**	**1.6**	**1,077.4**

Notes

1. Accounting policies

The interim report is prepared as a condensed financial statement in accordance with IAS 34, Presentation of interim reports, and the additional Danish requirements for submission of interim reports for companies listed on NASDAQ OMX Copenhagen.

The accounting policies used in the interim report are consistent with those used in the Annual Report 2007 and in accordance with the recognition and measurement policies in the International Financial Reporting Standards (IFRS/IAS) as adopted by the EU and additional Danish disclosure requirements for interim listed companies. We refer to annual report 2007 for further description the accounting policies.

New and changed standards and interpretations which have been introduced with effect for the financial year 2008 have no material impact in the accounting policies regarding recognition and measurement.

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

2. Significant accounting estimates and judgements

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

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

Further to significant accounting estimates and judgements which is stated in Annual Report 2007, has Management has performed significant estimates and judgement regarding recognition and measurement for inventories.

Indirect production overheads
Indirect production overheads (IPO) are measured on the basis of the actual cost. The basis is reassessed regularly to ensure that standard costs are adjusted for changes in the utilization of production capacity, production times and other relevant factors.

Changes in the method of determining standard costs may significantly affect gross margin and the valuation of inventories. At September 30, 2008, the value of IPO is DKK 36.8 million.

3. Related party transactions

The Management and Board of Directors of Bavarian Nordic A/S as well as NeuroSearch A/S are considered related parties as they have significant influence.

NeuroSearch A/S is considered to be related party in that Mr. Asger Aamund was Chairman of the Board for NeuroSearch A/S until April 30th 2008 and still is in Bavarian Nordic A/S. Forward will NeuroSearch A/S not been understand as related party.

Inter-company purchases from the subsidiaries comprise:

DKK thousands	1/1-30/9 2008	1/1-30/9 2007	1/1-31/12 2007
Research and development costs			
Bavarian Nordic A/S purchase of research and development services from Bavarian Nordic GmbH	89,670	85,378	109,898
Bavarian Nordic A/S purchase of research and development services from Bavarian Nordic Inc	7,407	5,232	7,392
Management fee			
BN ImmunoTherapeutics Inc, purchase of management services from Bavarian Nordic A/S	-	-	244
Leasing			
Bavarian Nordic GmbH rents equipment from Bavarian Nordic A/S	874	1,126	1,498

4. Intangible assets under construction
Intangible assets under construction include development costs connected to registration of IMVAMUNE® under the RFP-3 contract.

5. Other receivables
The majority of other receivables are financial instruments to fair value.