BAVARIAN NORDIC

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

In the first half of 2008 Bavarian Nordic generated revenue of DKK 23 million and recorded a loss before tax of DKK 119 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 June 2008 the Group's net free liquidity was DKK 882 million. The Company raises its expectations for the net free liquidity at year-end 2008 from approx. DKK 500 million to approx. DKK 620 milllion.

Highlights

- **Bavarian Nordic partners with the National Cancer Institute in the US**
  In August, Bavarian Nordic entered into a scientific partnership with the National Cancer Institute. NCI and Bavarian Nordic will jointly develop new immunotherapies for the treatment of prostate cancer. Through the collaboration, the company has obtained rights to intellectual property rights covering a prostate cancer vaccine product candidate in late phase II clinical development.

- **Bavarian Nordic has signed contract with Asian country for the delivery of IMVAMUNE®**
  Bavarian Nordic has signed a three-year contract with the government of an Asian country for the delivery of a small order of IMVAMUNE® for the country's biodefense programme.

- **More than 1,900 subjects now vaccinated with IMVAMUNE®**
  To-date, more than 1,900 subjects have been vaccinated with IMVAMUNE®, of which more than 700 subjects are immune-compromised (HIV and people diagnosed with Atopic Dermatitis (AD)).

- **Two vaccine candidates enter clinical trials**
  During first half of 2008, Bavarian Nordic initiated clinical trials with its prostate cancer vaccine and its HIV *multiantigen* vaccine.

- **Bavarian Nordic enforces its intellectual property rights**
  Bavarian Nordic has filed a patent infringement suit against Oxford BioMedica in the United States. The claim in this case is that Oxford BioMedica has infringed Bavarian Nordic's patents by commercializing the patented technology in ways that have yielded large payments from Sanofi-Aventis under the agreement between them for the development and commercialization of TroVax®.

- **Cash position to improve with DKK 153 million due to realisation of forward rate agreements**
  After the close of the accounts, Bavarian Nordic has realised forward exchange contracts of USD 200 million. The improvement of the net free liquidity during the period until end of March 2009 from this transaction is DKK 153 million, of which DKK 140 million are payable in 2009.

Update on U.S. contract activities (RFP-3)

Bavarian Nordic continues on track towards fulfilling the $500m contract with the U.S. government. Activities to support the initiation of delivery of the 20 million doses of IMVAMUNE® are ongoing and include the completion of the Phase II HIV data package, with outstanding data from a Phase II study in 300 HIV infected subjects that had no prior smallpox vaccination.

Recruitment in this study was completed in the second quarter of 2008 and the interim safety data will be reported in the second half of 2008. Subsequently, the data package will be submitted to the U.S. health authorities for evaluation of whether the data can support the use of IMVAMUNE® in a declared emergency. The completed submission will trigger a milestone payment of USD 25 million under the RFP-3 contract, which is expected in the fourth quarter of 2008.

An end of Phase II meeting request is expected to be submitted to the FDA in the second half of 2008 in order to discuss the Phase III study design and data requirements for a biologic licence application (BLA) with the FDA. Subsequently, the clinical activities to support Phase III studies are still expected to start in 2009.

The first deliveries of vaccines are expected in 2009. With a view to optimising the use of resources at the manufacturing facility at Kvistgård, Denmark, delivery of vaccines is expected to be distributed over the period

2009-2011. At the manufacturing facility, routine production has now been demonstrated over a period of a full year and Bavarian Nordic is currently in the first phase of increasing output.

Update on commercial activities

In first half of 2008, Bavarian Nordic signed contract with an Asian country for the delivery of a small order of IMVAMUNE®. This initial order was the first since the award of the US contract for 20 million doses of IMVAMUNE® in 2007. The extent and value of the contract are undisclosed. Bavarian Nordic will manufacture and deliver IMVAMUNE® smallpox vaccines for this country before initiating the delivery of the 20 million doses of IMVAMUNE® for the U.S. government.

The commercial activities in Asia as well as in Europe and the Middle East have been expanded during the past six months and both Bavarian Nordic staff, as well as local agents experienced in government contracting are operating in teams in these three areas. Furthermore, Bavarian Nordic has engaged highly experienced people with knowledge within bio-terror and bio-preparedness to support the teams, enabling them to enter a professional and engaged dialogue with stakeholders in the various geographical areas.

Currently, Bavarian Nordic is in close dialogue with more than ten different countries regarding acquisition of IMVAMUNE®. Due to national security reasons, further details regarding these negotiations are not to be disclosed. The Company expects that the negotiations will lead to several contracts. However large orders are not expected until IMVAMUNE® has been registered.

Strengthening business development activities

Bavarian Nordic continues to reinforce its commercial organisation in order to support the growing activities within this field. Recently, the Company appointed Dr. Jürgen Langhärig as Vice President of Business Development. Dr. Langhärig will join Bavarian Nordic on 1 October 2008.

He currently holds a similar position in Zealand Pharma. Previously he has worked with international business development in Novo Nordisk, Sandoz and Nycomed. He holds an MSc and PhD in industrial microbiology from the University of Tübigen in Germany, and an MBA from the University of St. Gallen.

With a new head of business development, Bavarian Nordic continues its efforts to maximise the value of the Company's pipeline by actively seeking partnerships and licensing agreements in order to fulfil the goals of the Company's strategy.

Research and development

Biodefense

IMVAMUNE® - third generation smallpox vaccine
To-date, more than 1,900 subjects have been vaccinated with IMVAMUNE®, of which more than 700 subjects are immune-compromised (HIV and people diagnosed with Atopic Dermatitis (AD)).

In addition to the 300 HIV infected subjects that have been enrolled in a Phase II study, an additional arm of a further 100 HIV infected subjects with a previous exposure to conventional smallpox vaccine was added to this study during the first half of 2008. This part of the study was funded by the NIH as part of the additional funds made available under RFP-2. The enrolment in this arm has also been completed and safety data from this group will be reported in the second half of 2009. Together with a previous HIV study, IMVAMUNE® has now been shown to be safe and well tolerated in almost 600 HIV-infected individuals, a population that is contraindicated for traditional smallpox vaccines.

The phase II study in patients diagnosed with AD funded under RFP-2 is currently ongoing and recruitment is expected to be completed by end of 2008. Together with a previous Phase I study, IMVAMUNE® has been shown to be safe and well tolerated in 120 subject diagnosed with AD, another population excluded from vaccination with traditional smallpox vaccines.

In the second half of 2008 Bavarian Nordic expects to initiate two Phase II studies. The first study is designed to demonstrate the effect of IMVAMUNE® as a booster vaccination (re-vaccination of subjects previously vaccinated with IMVAMUNE®) and the second to investigate the safety and immunogenicity of IMVAMUNE® in an elderly population.

Anthrax
Preclinical studies are ongoing to evaluate several MVA-BN® based anthrax vaccine candidates. Originally MVA-BN® encoding the Protective Antigen of *Bacillus anthracis*, the bacterium that causes anthrax, was planned to enter into a Phase I clinical study in late 2008. However, recent evidence suggests that other MVA-BN® anthrax vaccine candidate's offer added benefits in terms of an improved efficacy. Therefore, the planned Phase I study has been postponed, until all Anthrax vaccine candidates have been evaluated in preclinical studies during 2008.

Cancer immunotherapy

The cancer portfolio, which is currently focused on two projects with breast and prostate cancer, was strengthened in the first half of 2008 with the initiation of clinical studies the Company's prostate cancer vaccine candidate. Prostate cancer is, along with breast cancer, in the top three cancer market, each with more than 500,000 new diagnosed incidents globally per year and only limited treatment options. In June, Bavarian Nordic reported interim results from the first clinical studies with its breast cancer vaccine candidate.

Partnership with National Cancer Institute in the US
In August, Bavarian Nordic entered into a scientific partnership with the National Cancer Institute (NCI) in the United States. Under the Cooperative Research and Development Agreement (CRADA) the NCI and Bavarian Nordic will jointly develop new immunotherapies for the treatment of prostate cancer. Under the CRADA, BN ImmunoTherapeutics has rights to exclusively license intellectual property that results from this collaboration.

Bavarian Nordic will in the future explore opportunities for extending this collaboration to further develop its cancer projects. By combining Bavarian Nordic's expertise within cancer vaccine development with one of the world's leading centres of excellence within cancer research, the company is confident that this collaboration will result in new and innovative solutions to a disease area with high unmet medical needs as well as expand and accelerate Bavarian Nordic's cancer activities.

Through the collaboration and a license agreement with the United States Public Health Service, the company has obtained rights to intellectual property rights covering a prostate cancer vaccine product candidate in late phase II clinical development. Data from key clinical studies with this vaccine candidate are currently being evaluated. Later in 2008 the company will inform the market about how this development project will have a future in the pipeline of Bavarian Nordic.

Breast cancer
Bavarian Nordic has completed an interim analysis of its first two clinical studies with MVA-BN®-HER2, a cancer vaccine immunotherapy for breast cancer patients.

The first study, performed in the U.S., is evaluating MVA-BN®-HER2 treatment following first or second-line chemotherapy (including Herceptin®). In the second study, performed in Serbia and Poland, MVA-BN®-HER2 is being evaluated following first or second-line chemotherapy or in combination with single-agent taxane chemotherapy. Both studies evaluate treatment of metastatic breast cancer patients, whose tumors overexpress HER2. Patients are vaccinated 3 times, at 3 week intervals, with the MVA-BN® viral vector which has been engineered to express the extracellular fragment of human HER2.

By July 2008 enrolment in the studies was completed. No drug-related severe adverse events have been reported thus far. The vaccine has been shown to be well tolerated and immunogenic.

Immune evaluation of samples from 18 patients treated with MVA-BN®-HER2 revealed that 12 patients developed an immune response (humoral and/or cellular response).

These preliminary data show that MVA-BN®-based; HER2 directed vaccination is a biologically active treatment for patients with HER2 positive breast cancer. The final study data are expected around the turn of the year 2008/2009.

Prostate cancer
A Phase I/II, open-label safety and tolerability study in 18 male patients with non-metastatic hormone-insensitive prostate cancer has begun enrolment in the U.S. Secondary objectives of the trial include examining the ability of the vaccine to induce prostate antigen-specific immune responses, as well as clinical anti-tumor activity. Preliminary data is expected during second half year 2009.

The therapeutic vaccine, based on the Company's MVA-BN® technology, is designed to generate cellular and humoral immune responses to PSA and PAP (prostate specific antigen and prostatic acid phosphatase), which are both well-known prostate cancer tumor targets.

Infectious diseases

HIV
In first half of 2008, Bavarian Nordic initiated clinical trials its HIV vaccine candidate: MVA-BN® HIV *multiantigen*.

A Phase I/II safety and immunogenicity study in 15 HIV-infected patients (CD4 counts > 350 ul/ml) has begun enrolment in the United States. The first safety data are expected by the end of 2008, while the immunogenicity data will be available during first half of 2009.

The MVA-BN® HIV *multiantigen* vaccine encodes eight genes from HIV, including Nef and thus represents a more advanced vaccine candidate compared to Bavarian Nordic's previous MVA-based HIV vaccine candidates, MVA HIV *nef* and MVA-BN® HIV *polytope*. In previous clinical studies with MVA HIV *nef*, Bavarian Nordic has demonstrated proof of concept for the MVA technology's ability to control HIV replication. Furthermore the vaccine was shown to be immunogenic and to induce a broad T-cell response to Nef. The MVA-BN® HIV *multiantigen* builds on these positive results and thus represents an excellent opportunity to stimulate a broad immune response to the majority of the HIV proteins that will likely have important implications in a prophylactic and therapeutic setting for HIV.

Childhood vaccines (measles and RSV)
Bavarian Nordic has previously shown that IMVAMUNE® and MVA-BN® based vaccines (including the measles vaccine candidate) are safe and highly immunogenic in new born animals. These findings offer the opportunity to develop MVA-BN® as a platform vaccine technology for childhood vaccines that have the potential to stimulate protective immune responses in children under the age of 1 year.

The first Phase I study that was initiated late in 2007 evaluated the safety and immunogenicity of the measles vaccine in 30 healthy adult subjects. This is the first study to support the development of an RSV vaccine. The immunogenicity data from this study have revealed that the vaccine is highly immunogenic. As expected, the majority (93%) of the enrolled subjects already had measurable antibodies against measles, due either to prior vaccination or measles infection. However, following the first vaccination with the MVA-BN® vaccine the antibody response were significantly boosted in nearly all subjects. Indeed, the levels of the antibody responses against measles were approximately 4-fold greater than those previously recorded in adults boosted with a commercial measles vaccine. These results confirm animal studies that have also demonstrated that the MVA-BN® vaccine stimulates significantly higher antibody responses in adult mice compared to a commercial measles vaccine and these same levels of immunity are induced in newborn mice by the MVA-BN® measles vaccine.

Following these encouraging results Bavarian Nordic plans to conduct a Phase I study in children in the second half of 2008.

PIPELINE	Programme	Status	Next milestone
Biodefense	Smallpox (IMVAMUNE®)	Phase II	Initiate Phase III (2009)
	Anthrax	Preclinical	Phase I
Cancer	Breast Cancer	Phase I/II	Final data (2008/2009)
	Prostate Cancer	Phase I/II	Preliminary data (H2, 2009)
Infectious diseases	HIV *multiantigen*	Phase I/II	Preliminary safety data (Q4, 2008)
	Measles and RSV	Phase I	Initiate Phase I in children (H2, 2008)

Tropical diseases
For Bavarian Nordic's early-stage projects in tropical diseases, discussions with a potential external partner regarding out-licensing are progressing.

Organisational development

New members of the management

Three new members have joined the management of Bavarian Nordic. As previously announced, Anders Gram was appointed new Executive Vice President Technical Operations. He took up his position on 1 May 2008. Ole Larsen, new CFO, joined the Company on 1 July 2008. Until 30 September 2008, he will partially be working with Nordisk Film to complete his tasks. Reiner Laus, President & CEO of Bavarian Nordic's US subsidiary, BN ImmunoTherapeutics Inc., has also joined the Group Management.

Changes in the Board of Directors

At the Annual General Meeting, held on 29 April 2008, Claus Bræstrup and Gerard van Odijk were elected new members of the Board of Directors.

Claus Bræstrup is former President and CEO of H. Lundbeck A/S. Claus Bræstrup has a degree of Doctorate of Medicine from the University of Copenhagen, where he also for a period was Professor in Neuroscience. Claus Bræstrup is a Member of the Board at the University of Copenhagen, LifeCycle Pharma (Chairman), Santaris Pharma and he is also a member of the Danish National Advanced Technology Foundation.

Gerard van Odijk, MD, is President and CEO of Teva Pharmaceutical Europe B.V. With its Headquarters in Israel Teva Pharmaceutical Industries has within a short number of years grown into a global Pharmaceutical company with 26,000 employees and production facilities in Israel, North America, Europe and Latin America.

Asger J. Aamund, Flemming Pedersen and Erling Johansen were re-elected to the Board of Directors. Upon his own request Eigil Bjerl Nielsen, who has been member of the Board of Bavarian Nordic since 1994, has resigned.

Legal Matters

Bavarian Nordic files patent infringement suit against Oxford BioMedica

In June, Bavarian Nordic filed a patent infringement suit against Oxford BioMedica plc, Biomedica, Inc., and Oxford BioMedica Ltd., in the United States District Court of the Southern District of California.

Bavarian Nordic owns several United States patents relating to an attenuated strain of the Company's core technology, MVA-BN®, which is the basis for its innovative smallpox vaccine, IMVAMUNE®. MVA-BN® also holds promise as a vector for delivering recombinant vaccines.

The claim in this case is that the defendants have infringed Bavarian Nordic's patents by commercializing the patented technology in ways that have yielded large payments from Sanofi-Aventis under the agreement between them for the development and commercialization of TroVax®.

Policy for Incentive Remuneration of the Board of Directors and Management in Bavarian Nordic A/S

In June 2007 the Danish parliament adopted new rules as part of its efforts to increase transparency in listed companies, which require the general meeting's approval of guidelines for incentive remuneration of the Board of Directors and the Management (Article 69b of the Danish Public Companies Act). In accordance with these rules, the Company prepared a new policy which was approved on the Annual General Meeting, held on 29 April 2008. The policy is available on the Company's website or upon request from the Company's headquarters.

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

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

The revenue is DKK 23 million (DKK 51 million). The revenue derives from sale of IMVAMUNE® and from 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.

Production costs are DKK 39 million (DKK 37 million). The production costs are higher due to the start-up of routine production at the Kvistgaard facility which proceeds according to schedule.

The Group's research and development costs are DKK 72 million (DKK 102 million) excluding development costs from the RFP-3 contract of DKK 24 million, which are capitalised as intangible assets under construction.

Sales and administrative costs are DKK 47 million (DKK 44 million).

Income before tax is a deficit of DKK 119 million (deficit of DKK 128 million).

Result for the period is a deficit of DKK 96 million (deficit of DKK 117 million)

The production of IMVAMUNE® is progressing according to plans. Inventory of doses to be delivered in 2009 has increased by DKK 36 million in the first six months of 2008.

As of 30 June 2008 the Group's net free liquidity are DKK 882 million (DKK 574 million). Cash flow from operations is positive with DKK 12 million (DKK -123 million). Cash flow from investment activities is DKK -33 million (DKK -105 million) and cash flow from financing activities is DKK -8 million (DKK 448 million). The Company has released trusted funds of DKK 80 million to improve the net free liquidity. Furthermore, there are unused credit facilities of DKK 20 million.

Currency transactions

To improve the liquidity and reduce the working capital investment, the Company has decided - after the balance day - to realise the fair value of the USD 200 million forward exchange contracts by closing the present contracts and enter into new forward exchange contracts. The improvement of the net free liquidity during the period until end of March 2009 from this transaction is DKK 153 million.

The transaction itself is a realisation of the fair value of the contracts, presently recognised on the balance sheet as a receivable and has no impact on the Income Statement or Equity. The accumulated gain is according to the Company's hedge accounting policy recognised directly in equity to be recognised as income with future USD-revenue under the RFP-3 contract.

The Company has entered into new forward exchange contracts of USD 200 million at the exchange rate of DKK 4.72 to secure USD-revenue. The future development in fair value of the new forward exchange contracts will be recognised directly in equity according to present hedge accounting policy. The cumulative gain or loss will be recognised on the income statement with future USD-revenue under the RFP-3 contract.

The Company's hedging policy is hence unchanged to sustain the cash flow hedge in USD under the RFP-3 contract at the same level as reported in the 2007 annual report. Thus, the DKK 153 million can be considered as a pre-payment of an amount, which otherwise would not be due until invoicing 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 Company raises its expectations for the net free liquidity at year-end 2008 from approx. DKK 500 million to approx. DKK 620 milllion. The increase comprises of DKK 80 million from released trusted funds and DKK 40 million from realised fair value of forward rate agreements.

BAVARIAN NORDIC

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 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 OMX Nordic Exchange in 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 2008 and the results of the group's activities and cash flows for the period 1 January to 30 June 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, 19 August 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

Contact: Anders Hedegaard, President & CEO | +45 23 20 30 64

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 OMX Nordic Exchange Copenhagen under the symbol BAVA.

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

"Safe Harbour" Statement Under the Private Securities Litigation Reform Act of 1995:
Except for the historical information contained herein, this release contains "forward-looking statements" within the meaning of the Private Securities Reform Act of 1995. No "forward-looking statement" can be guaranteed, and actual results may differ materially from those projected. Bavarian Nordic undertakes no obligation to publicly update any "forward-looking statement", whether as a result of new information, future events, or otherwise. Additional information regarding risks and uncertainties is set forth in the current Annual Report, which we incorporate by reference.

BAVARIAN NORDIC

Condensed Group Key Figures

(DKK million)	1/4-30/6 2008	1/4-30/6 2007	1/1-30/6 2008	1/1-30/6 2007	1/1-31/12 2007
Income statements					
Revenue	9.4	22.6	23.0	51.4	332.1
Production costs	6.7	27.3	39.0	36.6	64.4
Research and Development costs	43.1	50.3	71.5	102.3	243.6
Sales and Administrative costs	25.4	25.7	46.7	44.3	89.1
Income before interest and tax	(65.8)	(80.7)	(134.2)	(131.8)	(65.0)
Net financial income	8.8	4.6	15.5	4.0	14.5
Income before company tax	(57.0)	(76.1)	(118.7)	(127.8)	(50.5)
Result for the period	(45.9)	(62.1)	(95.7)	(116.5)	(63.5)
Balance sheet					
Total non-current assets			537.4	572.4	538.8
Total current assets			1,120.1	720.3	1,193.3
Total assets			1,657.5	1,292.7	1,732.1
Shareholders equity			1,149.9	1,084.8	1,217.7
Non-current liabilities			105.7	118.6	134.7
Current liabilities			401.9	89.3	379.7
Cash flow statements					
Net cash including securities			881.8	653.9	913.6
Cash flow from operating activities			12.2	(123.0)	163.2
Cash flow from investment activities			(33.1)	(104.9)	(16.1)
Investment in tangible assets			12.3	5.6	5.8
Cash flow from financing activities			(7.5)	448.3	440.4
Financial Ratios (DKK) [1]					
Earnings per share [2]			(12.0)	(16.1)	(8.0)
PE, price/earnings ratio			146.4	138.3	155.7
Share price/Net assets value per share			1.3	3.8	1.9
Shareholders equity share			69%	84%	70%
Share price at the year-end			189	520	293
Numbers of outstanding shares at the year-end, thousands			7,816	7,816	7,816
Number of employees, at the end of the period			276	240	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

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Condensed Group Income Statements

(DKK million)	1/4-30/6 2008	1/4-30/6 2007	1/1-30/6 2008	1/1-30/6 2007	1/1-31/12 2007
Revenue	9.4	22.6	23.0	51.4	332.1
Production costs	6.7	27.3	39.0	36.6	64.4
Gross profit	**2.7**	**(4.7)**	**(16.0)**	**14.8**	**267.7**
Research and Development costs	43.1	50.3	71.5	102.3	243.6
Sales and Administrative costs	25.4	25.7	46.7	44.3	89.1
Total operating costs	**68.5**	**76.0**	**118.2**	**146.6**	**332.7**
Income before interest and tax	**(65.8)**	**(80.7)**	**(134.2)**	**(131.8)**	**(65.0)**
Financial income	11.8	7.6	24.0	11.0	25.7
Financial expenses	(3.0)	(3.0)	(8.5)	(7.0)	(11.2)
Income before company tax	**(57.0)**	**(76.1)**	**(118.7)**	**(127.8)**	**(50.5)**
Tax on income for the period	11.1	14.0	23.0	11.3	(13.0)
Net profit for the period	**(45.9)**	**(62.1)**	**(95.7)**	**(116.5)**	**(63.5)**
Distribution of result					
Parent Company´s part of the result	(44.9)	(61.2)	(93.8)	(114.8)	(60.0)
Minority Interest	(1.0)	(0.9)	(1.9)	(1.7)	(3.5)
Earnings per share (EPS) - DKK					
-basic earnings per share of DKK 10.00 [1)]	(5.7)	(7.9)	(12.0)	(16.1)	(8.0)
-diluted earings, per share of DKK 10.00 [1)]	(5.7)	(7.9)	(12.0)	(16.1)	(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.

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Condensed Group Balance Sheet - Assets

(DKK million)	Note	30/6 2008	30/6 2007	31/12 2007
Purchased rights		2.9	3.3	3.1
Software		2.3	6.8	4.3
Assets under construction	4	41.0	-	16.9
Intangible assets		**46.2**	**10.1**	**24.3**
Land and buildings		157.5	162.4	159.2
Leasehold improvements		1.8	3.2	2.4
Plant and machinery		186.3	210.4	200.6
Machinery, equipment and furniture		12.9	14.9	14.3
Assets under construction		11.7	-	2.7
Tangible assets		**370.2**	**390.9**	**379.2**
Other financial non-current assets		0.2	12.3	0.2
Deferred tax assets		120.8	159.1	135.1
Financial assets		**121.0**	**171.4**	**135.3**
Total non-current assets		**537.4**	**572.4**	**538.8**
Raw materials and supply materials		12.3	11.1	11.6
Own produced goods		35.5	-	-
Inventories		**47.8**	**11.1**	**11.6**
Trade receivables		4.3	25.5	144.9
Other receivables	5	177.5	20.3	110.6
Pre-payments and accrued income		8.7	9.5	12.6
Receivables		**190.5**	**55.3**	**268.1**
Securities		221.4	330.6	224.8
Cash and cash equivalents		660.4	323.3	688.8
Total current assets		**1,120.1**	**720.3**	**1,193.3**
Total assets		**1,657.5**	**1,292.7**	**1,732.1**

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Condensed Group Balance Sheet - Equity and liabilities

(DKK million)	30/6 2008	30/6 2007	31/12 2007
Share capital	78.2	78.2	78.2
Retained earnings	948.7	1,004.0	1,046.1
Other reserves	117.6	-	92.7
Equity, parent company	**1,144.5**	**1,082.2**	**1,217.0**
Equity, minority interest	5.4	2.6	0.7
Equity total	**1,149.9**	**1,084.8**	**1,217.7**
Other provisions	-	1.9	-
Credit institutions	105.7	116.7	134.7
Non-current liabilities	**105.7**	**118.6**	**134.7**
Other provisions	-	1.1	0.7
Credit institutions	36.7	41.0	15.1
Prepayment from customer	276.6	-	276.6
Accounts payable	18.9	20.3	21.6
Company tax	1.7	1.4	0.1
Other debts	68.0	25.5	65.6
Current liabilities	**401.9**	**89.3**	**379.7**
Total liabilities	**507.6**	**207.9**	**514.4**
Total liabilities and shareholders´ equity	**1,657.5**	**1,292.7**	**1,732.1**

BAVARIAN NORDIC

Condensed Group Cash Flow Statements

(DKK million)	30/6 2008	30/6 2007	31/12 2007
Income before interest and tax	**(134.2)**	**(131.8)**	**(65.0)**
Depreciations, amortisation and write-down	23.7	19.6	40.1
Share-based payment	2.9	1.3	5.0
Changes in inventories	(36.2)	1.8	1.3
Changes in receivables	142.1	3.4	(132.5)
Changes in provisions	(0.6)	(1.3)	(3.6)
Changes in current liabilities	0.8	(18.3)	305.4
Cash flow from operating activities	**(1.5)**	**(125.3)**	**150.7**
Financial income	24.0	11.0	25.7
Financial expenses	(8.5)	(7.1)	(11.1)
Paid taxes during the year	(1.8)	(1.6)	(2.1)
Cash flow from operations	**12.2**	**(123.0)**	**163.2**
Investments in intangible assets	(24.1)	(0.2)	(16.9)
Investments in tangible assets	(12.3)	(5.6)	(5.8)
Investments in financial assets	-	0.1	0.1
Investments in securities	3.3	(99.2)	6.5
Cash flow from investment activities	**(33.1)**	**(104.9)**	**(16.1)**
Payment on mortgage debt	(0.7)	(0.6)	(1.3)
Payment on leasing liabilities	(6.8)	(7.4)	(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	**(7.5)**	**448.3**	**440.4**
Net changes in cash and cash equivalents of period	**(28.4)**	**220.4**	**587.5**
Cash as of 1 January	688.9	101.4	101.4
	-	-	-
Cash, end of period	**660.5**	**321.8**	**688.9**
Securities - highly liquid bonds	221.4	332.1	224.8
Trusted/pledged funds	-	(80.0)	(80.0)
Credit lines	20.0	20.0	20.0
Financial reserves	**901.9**	**593.9**	**853.7**

BAVARIAN NORDIC

Condensed Statement of Changes in Equity - Group

(DKK million)	Share capital	Retained earnings	Reserves for exchange rate adjustements	Reserves for fair value of financial instruments	Equity Parent Company	Equity Minority	Equity Group
Shareholders equity as of 1 January 2008	**78.2**	**1,046.0**	**(1.3)**	**94.1**	**1,217.0**	**0.7**	**1,217.7**
Tax adjustment, fair value opening balance	-	-	-	(23.7)	(23.7)	-	(23.7)
Fair value of financial instruments	-	-	-	64.5	64.5	-	64.5
Tax effect on hedging	-	-	-	(16.1)	(16.1)	-	(16.1)
Exchange rate adjustments	-	-	0.1	-	0.1	(0.2)	(0.1)
Transactions recorded on equity	**-**	**-**	**0.1**	**24.7**	**24.8**	**(0.2)**	**24.6**
Net profit	-	(93.8)	-	-	(93.8)	(1.9)	(95.7)
Net income	**-**	**(93.8)**	**0.1**	**24.7**	**(69.0)**	**(2.1)**	**(71.1)**
Share-based payment	-	3.1	-	-	3.1	0.2	3.3
Transfer to minority interest	-	(6.6)	-	-	(6.6)	6.6	-
Other transactions	**-**	**(3.5)**	**-**	**-**	**(3.5)**	**6.8**	**3.3**
Shareholders equity as of 30 June 2008	**78.2**	**948.7**	**(1.2)**	**118.8**	**1,144.5**	**5.4**	**1,149.9**

(DKK million)							
Shareholders equity as of 1 January 2007	**63.8**	**624.2**	**(1.2)**	**-**	**686.8**	**4.6**	**691.4**
Fair value of financial instruments	-	18.1	-	-	18.1	-	18.1
Exchange rate adjustments	-	-	(0.5)	-	(0.5)	(0.3)	(0.8)
Transactions recorded on equity	**-**	**18.1**	**(0.5)**	**-**	**17.6**	**(0.3)**	**17.3**
Net profit	-	(114.8)	-	-	(114.8)	(1.7)	(116.5)
Net income	**-**	**(96.7)**	**(0.5)**		**(97.2)**	**(2.0)**	**(99.2)**
Proceeds, issue of new shares	12.8	452.7	-	-	465.5	-	465.5
Expenses, issue of new shares	-	(21.9)	-	-	(21.9)	-	(21.9)
Proceeds, exercise of warrant programme	1.6	46.1	-	-	47.7	-	47.7
Share-based payment	-	1.3	-	-	1.3	-	1.3
Other transactions	**14.4**	**478.2**	**-**	**-**	**492.6**	**-**	**492.6**
Shareholders equity as of 30 June 2007	**78.2**	**1,005.7**	**(1.7)**	**-**	**1,082.2**	**2.6**	**1,084.8**

BAVARIAN NORDIC

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 the OMX Nordic Exchange 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. For a further description of the accounting policies, please refer to the Company's Annual Report 2007.

New and changed standards and interpretations which have been introduced with effect for the financial year 2008 have no material impact on 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, the Management is required to make certain estimates, as many financial statement items cannot be reliably measured, but must be estimated. Such estimates comprise judgements made on the basis of the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based, or due to supplementary information, additional experience or subsequent events.

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

Further to significant accounting estimates and judgements which are stated in the Annual Report 2007, the 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 30 June 2008, the value of IPO is DKK 24.3 million.

3. Related party transactions

The Management and Board of Directors of Bavarian Nordic 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 30 April 2008 and still is in Bavarian Nordic A/S. Going forward, NeuroSearch A/S will not be recognised as a related party.

Inter-company purchases from the subsidiaries

DKK thousands	1/1-30/06 2008	1/1-30/6 2007	1/1-31/12 2007
Research and development costs			
Bavarian Nordic A/S purchase of research and development services from Bavarian Nordic GmbH	52,914	50,898	109,898
Bavarian Nordic A/S purchase of research and development services from Bavarian Nordic Inc	5,157	3,824	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	748	748	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.