Interim Financial Report

for the Period January 1 to September 30, 2014

Bavarian Nordic A/S
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Management's Review

Financial Statement for the Period January 1 – September 30, 2014

Financial statements are un-audited. Comparison figures for the same period 2013 are stated in parentheses.

Revenue generated for the nine months ended September 30, 2014 was DKK 676 million (DKK 875 million), which is in line with the Company's expectations. Revenue was primarily generated from the sale of IMVAMUNE, DKK 576 million (DKK 562 million). Revenue reported for the three months ended September 30, 2014 was DKK 225 million (DKK 319 million).

Contribution margins on IMVAMUNE sales increased in the second and third quarter compared to the first quarter. Contribution margin for 2014 is still estimated at 2013 level. The production costs totaled DKK 328 million (DKK 347 million). Costs related directly to revenue amounted to DKK 322 million (DKK 304 million). Other production costs totaled DKK 6 million (DKK 43 million) and reflects a very low production scrap rate for the first nine months of 2014. In the third quarter of 2014, production costs were DKK 99 million (DKK 135 million).

Research and development costs totaled DKK 314 million (DKK 385 million), see distribution in note 6. The research and development expenditures for the three months ending September 30, 2014 were DKK 122 million (DKK 103 million).

Distribution costs totaled DKK 34 million (DKK 27 million) and administrative costs totaled DKK 121 million (DKK 122 million). The increase in distribution costs is related to increased commercial activities after the approval of IMVAMUNE in EU and Canada.

Financial items totaled a net income of DKK 37 million (DKK 12 million net expense), mainly related to exchange rate adjustments.

Income before tax was a loss of DKK 85 million (loss of DKK 18 million). The company recorded a loss before tax of DKK 21 million for the third quarter of 2014 (gain of DKK 25 million).

Tax on income was an income of DKK 13 million (expense of DKK 2 million).

For the first nine months of 2014, Bavarian Nordic reported a net loss of DKK 72 million (net loss of DKK 20 million).

As of September 30, 2014 the Group's cash preparedness was DKK 356 million (DKK 546 million), including unutilized credit lines of DKK 120 million (DKK 120 million). Cash flow from operating activities was DKK -210 million (DKK 1 million). Cash flow from investment activities was DKK 13 million (DKK -200 million) of which disposal of securities amounted to DKK 96 million (investment in securities DKK 85 million). Cash flow from financing activities was DKK –4 million (DKK -5 million). The net change in cash and cash equivalents was negative by DKK 201 million (DKK -205 million).

The Group's equity as of September 30, 2014 stood at DKK 882 million (DKK 997 million).

Financial Expectations

As previously communicated, a significant part of the planned IMVAMUNE deliveries to the SNS will take place in the fourth quarter and thus revenues are back-end loaded. For the full year, Bavarian Nordic expects to deliver approximately 6.5 million doses. Hence, the Company maintains its expectations for the 2014 full-year financial results with revenue at the level of DKK 1,200 million and a break-even result before interest and tax (EBIT). After signing the license and the supply agreement for the Company's MVA-BN Filovirus vaccine with Crucell Holland B.V., one of the Janssen Pharmaceutical Companies of Johnson & Johnson (hereinafter referred to as Janssen) in October, the Company raised its expectations for the year-end cash preparedness from approximately DKK 600 million to approximately DKK 1,000 million including a reduction in debt and credit facilities of approximately DKK 150 million.

The Infectious Disease division is expected to generate an EBIT of approximately DKK 400 million and the Cancer Immunotherapy division is expected to generate a negative EBIT of approximately DKK 400 million.

As previously communicated, the overall contribution margin on IMVAMUNE sales for the full year is expected to be at the same level as 2013.

Research and developments costs are expected to amount to approximately DKK 600 million, cf. table below.

Research and development costs	**DKK**	**600 million**
Of which:		
Contract costs recognized as production costs	DKK	110 million
Capitalized development costs	DKK	50 million
	DKK	**440 million**
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	DKK	50 million
Research and development costs recognized in P&L	**DKK**	**490 million**

Significant Risks and Uncertainties

Bavarian Nordic faces a number of risks and uncertainties, common for the biotech industry. These relate to operations, research and development, manufacturing, commercial and financial activities. For further information about risks and uncertainties which Bavarian Nordic faces, refer to page 22 "Risk Management" in the 2013 annual report.

Since the publication of the 2013 annual report, the overall risk profile of the Company remains unchanged.

Our Company

Bavarian Nordic is an international biotechnology company developing and manufacturing novel cancer immunotherapies and vaccines for infectious diseases. Our long-standing partnership with the U.S. Government on the development and supply of IMVAMUNE smallpox vaccine, as well as a series of development contracts for other biodefense targets, have facilitated the establishment of both a highly specialized organization and a multi-product manufacturing infrastructure with the ability to produce and deliver commercial-scale quantities of vaccines.

Pipeline

Indication	Program	Status
Smallpox	IMVANEX/IMVAMUNE® *liquid-frozen* [1-4)]	Approved / Phase 3
Prostate cancer	PROSTVAC®	Phase 3
Smallpox	IMVAMUNE® *freeze-dried* [1)]	Phase 2
Colorectal cancer	CV-301 colon [1)]	Phase 2
Bladder cancer	CV-301 bladder [1)]	Phase 2
Breast cancer	CV-301 breast [1)]	Phase 2
Prostate cancer	MVA-BN® PRO	Phase 1/2
Breast cancer	MVA-BN®-HER2	Phase 1/2
Multiple cancers	MVA-BN® Brachyury [1)]	Phase 1
Filoviruses: Marburg/Ebola	MVA-BN® Filo [5)]	Preclinical
Respiratory syncytial virus (RSV)	MVA-BN® RSV	Preclinical
Foot-and-mouth disease	MVA-BN® FMDV [1)]	Preclinical
Anthrax	MVA-BN® Anthrax [1)]	Preclinical

1) Government funded programs
2) Sold to government stockpiles
3) Approved in the European Union under the trade name IMVANEX® and in Canada under the trade name IMVAMUNE®
4) Phase 3 registration studies are ongoing in the United States
5) Licensed to Janssen

Our Strategy

Bavarian Nordic's strategic ambition is focused on growth strategies that will allow it to become a successful, sustainably revenue-generating biotechnology company. Leveraging the Company's flexible manufacturing facility and expertise in the research and development of poxvirus-based vaccines and cancer immunotherapies, the company is well positioned to maximize future market opportunities.

The Company has built its foundation around MVA-BN - its proprietary, flexible poxvirus-platform that has the potential to support a broad product pipeline in both infectious diseases vaccines and cancer immunotherapies. Bavarian Nordic's smallpox vaccine, IMVAMUNE, has generated significant revenue to date, and the Company is currently developing an innovative freeze-dried formulation of the vaccine to pursue a potential additional long-term supply contract with the U.S. Government. The Company is also applying its expertise in infectious diseases to advance its pipeline of product candidates for other biological threats to national security (e.g. Ebola and Marburg) and high unmet medical needs areas (e.g. RSV).

To meet the growing need for innovative cancer therapies, Bavarian Nordic has also developed a robust cancer immunotherapy portfolio, which includes the Phase 3 asset PROSTVAC. Cancer immunotherapies are widely considered to represent a promising and novel therapeutic approach, one which is projected to be an important component of future cancer treatment. The Company's cancer immunotherapy candidates offer tremendous potential in a marketplace seeking improved patient outcomes through the effective combination of synergistic therapies.

The Company's overall strategy to achieve these ambitions is based on the following main parameters:

- Maintain global leadership in smallpox preparedness and build a long-term revenue stream based on worldwide sales of IMVANEX/IMVAMUNE
- License and commercialize PROSTVAC globally through partnerships
- Establish a global leadership position in the rapidly growing field of cancer immunotherapy by expanding our pipeline and introducing new combinations involving cancer immunotherapies
- Utilize the proprietary poxvirus vaccine platform to expand the infectious disease vaccine pipeline to meet high unmet medical needs
- Maintain leadership in poxvirus manufacturing globally by establishing a flexible manufacturing facility to meet the Company's production requirements in the short, medium and long-term

Our Short-term Objectives

PROSTVAC

- Complete enrollment of 1,200 patients in the PROSPECT Phase 3 clinical study (2014)
- Advance clinical studies exploring the therapeutic potential of PROSTVAC in combination with checkpoint inhibitors
- Finalize validation of the PROSTVAC commercial manufacturing process and prepare launch material

IMVANEX/IMVAMUNE

- Secure orders from the rest of the world
- Initiate final Phase 3 study of IMVAMUNE (2014)
- Complete Phase 2 study of freeze-dried IMVAMUNE to support a pre-EUA submission (Emergency Use Authorization; a requirement for stockpiling) (2015)
- Complete transfer of validated freeze-dried manufacturing process to a commercial scale facility (2015)

RSV

- Submit Investigational New Drug application for MVA-BN RSV followed by initiation of Phase 1 study (2015)

CV-301

- Finalize clinical development plan for prioritized indications for CV-301 (2014)

Ebola

- Initiation of Phase 1 study of a prime-boost Ebola vaccine regimen consisting of MVA-BN Filo and Janssen's Advac® vaccine (2015)
- Manufacture and deliver MVA-BN Filo vaccine to Janssen (targeting more than 1 million doses to contribute to the prime-boost regimen) (2015)

Cancer Immunotherapy

Targeted active immunotherapy candidates for the treatment of cancer are part of a promising field of research, which harnesses the natural power of the immune system to fight the disease. By eliciting a robust and broad anticancer immune response, immunotherapies may decrease the tumor growth rate, potentially resulting in a prolonged overall survival while maintaining a favorable risk-benefit profile. This offers a strong scientific rationale to evaluate active immunotherapy not only as monotherapy, but also in combination with other treatments, including immune checkpoint inhibitors, hormonal therapy, and radiation therapy.

Bavarian Nordic's lead product candidates, PROSTVAC and CV-301, are being developed under cooperative research and development agreements (CRADAs) with the U.S. National Cancer Institute (NCI). The development programs of PROSTVAC and CV-301 have included more than 1,100 clinical trial subjects treated for varying oncology indications including prostate cancer, colorectal, lung, breast, ovarian and pancreatic cancers. In addition, the Company has conducted Phase 1/2 clinical studies of MVA-BN based product candidates for prostate and breast cancer and recently initiated a Phase 1 study, in collaboration with the NCI, of MVA-BN Brachyury, a new product candidate designed to target the Brachyury antigen, which is overexpressed in multiple cancers.

A poxvirus-based immunotherapy platform
PROSTVAC and CV-301 both employ the poxvirus-based technology, VF-TRICOM, which includes a vaccinia-based priming dose (V) followed by multiple fowlpox-based boosting doses (F), and incorporates 3 human immune costimulatory molecules (TRICOM) engineered to enhance immune system response to the tumor target. Both the priming and boosting doses encode one or more tumor-associated antigens, intended to activate the body's immune system against these antigens. The data from clinical studies conducted to date suggest that this heterologous prime/boost regimen leads to an anticancer immune response of greater magnitude and quality than regimens using only a homologous repeating treatment approach.

PROSTVAC - Prostate Cancer Active Immunotherapy Candidate

PROSTVAC is a PSA-targeted immunotherapy candidate, currently in Phase 3 development for the treatment of patients with asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer (mCRPC). A robust data package has been established that includes 12 ongoing or completed clinical Phase 1 and Phase 2 studies, where more than 300 patients have been treated, and the immunotherapy candidate has been generally well-tolerated. A randomized, placebo-controlled Phase 2 study[1] demonstrated the ability of PROSTVAC to extend the median overall survival by 8.5 months in patients with advanced prostate cancer. These results led to the initiation of a pivotal Phase 3 clinical trial (PROSPECT). Other clinical studies of PROSTVAC in combination with immune checkpoint inhibitors, radiation, hormonal therapy or chemotherapy, either concomitantly or sequentially, have indicated possible therapeutic synergies for these treatment combinations.

The PROSPECT Phase 3 study
The PROSPECT study is a global randomized, double-blind, placebo-controlled study in patients with asymptomatic or minimally symptomatic mCRPC. The study is active at approximately 200 investigative sites in 15 countries and is anticipated to complete enrollment of 1,200 patients by year end 2014.

The primary objective of the PROSPECT study is to determine whether the overall survival of patients receiving PROSTVAC (with or without the addition of granulocyte macrophage colony-stimulating factor; GM-CSF), is superior to that of patients receiving placebo (controls).

Interim analyses of the study, agreed with the FDA under a Special Protocol Assessment (SPA), will evaluate whether the results provide opportunity for filing for approval before final data are available.

Other ongoing PROSTVAC clinical studies
PROSTVAC is currently the subject of four NCI-sponsored Phase 2 clinical studies.

- PROSTVAC combined with enzalutamide to treat metastatic castration-resistant prostate cancer. Enzalutamide is a next-generation androgen deprivation therapy approved by the FDA in 2012. The study

[1] Kantoff-P et al.: Overall survival analysis of a phase II randomized controlled trial of a poxviral-based PSA-targeted immunotherapy in metastatic castration-resistant prostate cancer. J Clin Oncol. 28:1099-1105, 2010.

is expected to enroll 76 patients who will be randomized to receive enzalutamide with PROSTVAC treatment or enzalutamide only. The primary endpoint is progression-free survival.

- PROSTVAC combined with enzalutamide to treat non-metastatic castration sensitive prostate cancer. The study is expected to enroll 34 patients who will be randomized to receive enzalutamide with PROSTVAC treatment or enzalutamide alone. The primary endpoint will be based on PSA kinetics (tumor re-growth rate after enzalutamide is discontinued).

- PROSTVAC combined with flutamide (anti-androgen therapy) versus flutamide alone in 62 patients with non-metastatic prostate cancer. The study is fully enrolled and awaiting final data. 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).

- PROSTVAC as neoadjuvant therapy in 27 patients with prostate cancer undergoing treatment with radical prostatectomy. The primary endpoint is the effect of PROSTVAC treatment on immune cells (measured by CD4 and CD8 cell infiltrate response) in the prostate.

PROSTVAC mechanism of action
New evidence elucidating the mechanism of action of PROSTVAC was recently published in the Journal for ImmunoTherapy of Cancer: *Mandl SJ et al., Elucidating immunologic mechanisms of PROSTVAC cancer immunotherapy*.

In preclinical models, PROSTVAC demonstrated significant enhancement of highly functional PSA-specific tumor-killing T cell responses compared to dosing with placebo viral vectors. Additionally, increased numbers and improved quality of activated PSA-specific T cells were observed following treatment with the PROSTVAC prime and boost regimen compared to single viral vector dosing regimens. PROSTVAC elicited broad, highly functional T cell immunity directed initially to PSA expressing tumor cells, which then expanded via antigen spreading to include T cell immune responses against endogenous tumor antigens not targeted by the immunotherapy.

CV-301 – an Active Immunotherapy Candidate with Potential in Multiple Cancers

CV-301 is an active cancer immunotherapy candidate which targets two tumor-associated antigens (CEA and MUC-1) that are over-expressed in major cancer types, including colorectal, bladder, lung and breast cancer. CV-301 and its precursors have been tested in 16 ongoing or completed NCI-sponsored clinical studies in colorectal, breast and other cancers, and more than 400 patients have been treated with the product candidate.

Combination treatments continue to play an ever more important role in the rapidly changing cancer treatment paradigm. The synergistic clinical benefit seen with PROSTVAC in combination settings may also apply to CV-301, which will be part of the ongoing assessment of the CV-301 development plan and prioritization of potential indications that is planned to be finalized during 2014.

CV-301 in bladder cancer
An NCI-sponsored, randomized, prospective Phase 2 study of CV-301 alone or in combination with BCG (Bacillus Calmette-Guerin) treatment in bladder cancer is currently ongoing. Because CV-301 immunotherapy targets the MUC-1 and CEA antigens, CV-301 is thought to activate a potent antitumor immune response against bladder cancer cells which express these antigens. Together with a BCG-induced immune response, the combination therapy has the potential to improve survival in patients whose disease has progressed following an induction course of BCG.

The study is expected to enroll 54 patients with high grade non-muscle invasive bladder cancer whose cancer has progressed after initial BCG treatment. The primary endpoint is to determine if there is an improvement in disease-free survival for patients receiving CV-301 immunotherapy in combination with BCG treatment compared to those receiving BCG treatment alone.

Bavarian Nordic's Cancer Immunotherapy Platform and Checkpoint Inhibitors

At the 2014 ASCO Annual Meeting in June, Bavarian Nordic presented new data highlighting the potential for additive or synergistic benefit in anti-cancer efficacy by combining Bavarian Nordic's immunotherapy with immune checkpoint inhibitors.

In primary and metastatic preclinical tumor models, anti-tumor efficacy was significantly improved when the immunotherapy candidate MVA-BN-HER-2 was combined with immune checkpoint inhibitors. Combining MVA-BN-HER-2 with anti-PD-1 and anti-LAG-3 antibodies resulted in complete tumor regression. The combination of immune checkpoint inhibitors with MVA-BN-HER-2 immunotherapy represents an exciting avenue of cancer research that will potentially offer improved clinical benefit.

In another preclinical tumor model, the combination of MVA-BN-HER2 with CTLA-4 blockade demonstrated significantly improved median overall survival ($p<0.001$). MVA-BN-HER-2 induced a robust, functional tumor-infiltrating T cell response that was augmented significantly in combination with CTLA-4 immune checkpoint inhibition, and that led to improved survival.

The combination of active immunotherapy and checkpoint inhibitors was also previously investigated in a clinical Phase 1 combination study of PROSTVAC and ipilimumab, which resulted in hypothesis-generating data that combining poxvirus-based immunotherapy with immune checkpoint inhibitors, such as ipilimumab, was associated with a favorable overall survival compared to that predicted by clinical nomogram for men with metastatic castration resistant prostate cancer.

MVA-BN® Brachyury

MVA-BN Brachyury is a novel, active immunotherapy developed using Bavarian Nordic's proprietary validated MVA platform. It is designed to induce a robust T cell immune response against Brachyury, a tumor-associated antigen which is overexpressed in major solid tumor indications. Brachyury is reported to play a key role in the metastasis and progression of tumors. Tumors which overexpress Brachyury are believed to be highly resistant to current therapies and are associated with decreased survival rates.

An NCI-sponsored Phase 1 study of MVA-BN Brachyury in patients with advanced cancer is ongoing. The study is an open label, Phase 1 trial that will enroll patients with advanced cancer into three cohorts (3-6 patients per dose cohort) with dose escalation of MVA-BN Brachyury. Additional patients may be enrolled at the maximum tolerated dose. The objective of the study is to determine the safety and tolerability of escalating doses of MVA-BN Brachyury and to evaluate immunologic responses as measured by an increase in Brachyury-specific T cells.

Infectious Diseases

The successful long-term partnership with the U.S. Government on the development of the IMVANEX/IMVAMUNE smallpox vaccine is a key driver for Bavarian Nordic. The Company has been delivering the vaccine to the U.S. Strategic National Stockpile (SNS) for emergency use since 2010. Contracts with the U.S. Government awarded to date for the development and supply of the vaccine exceed USD 1 billion, including awards to advance MVA-BN as a broad platform for the development of medical countermeasures against other potential biological threats.

Significant ongoing contracts include:

- A USD 550 million contract (RFP-3) for the development, registration 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). Deliveries were completed in 2013, but clinical development is still ongoing.
- Two contract options valued at a total of USD 228 million for the delivery of 8 million doses of IMVAMUNE to the SNS. The first option of USD 110 million was awarded in April 2013 and the second option was awarded in September 2014 by BARDA
- A contract valued at up to USD 95 million for the development of a freeze-dried version of IMVAMUNE. Awarded in 2009 by BARDA

For a detailed overview of ongoing and completed contracts, see table 1 in the appendix (page 24).

Additionally, through a license and supply agreement entered with Janssen in October 2014, Bavarian Nordic will manufacture and deliver more than 1 million doses of an MVA-BN Filovirus (Ebola and Marburg) vaccine in 2015. For detailed information on the agreement, see page 9.

IMVANEX® / IMVAMUNE® Smallpox Vaccine (MVA-BN)

IMVANEX is approved in the European Union for use in the general adult population. The vaccine is also approved in Canada under the trade name IMVAMUNE, for use in a public health emergency in adults who are contraindicated to replicating smallpox vaccines (e.g. people with HIV and atopic dermatitis). In the U.S., IMVAMUNE is stockpiled for emergency use in people contraindicated to replicating smallpox vaccines (e.g. people with HIV and atopic dermatitis). Registration studies are underway to support FDA approval for use of the vaccine in the entire population.

IMVANEX is an important component of any national smallpox preparedness plan, as traditional replicating vaccines are not sufficient to protect the entire population or to implement a successful pre-event vaccination program for first-line responders and military.

In clinical trials to date, more than 7,500 individuals have been vaccinated with IMVAMUNE, which has been well-tolerated. The vaccinated subjects include almost 1,000 individuals with HIV or atopic dermatitis.

The development of IMVAMUNE is funded by the U.S. Government, through contracts with BARDA and the National Institutes of Health (NIH).

Canadian government procures IMVAMUNE
In August, Bavarian Nordic signed two contracts with the Canadian authorities for the delivery of a total of 65,700 doses of IMVAMUNE smallpox vaccine. The vaccines will be delivered in 2014 and 2015.

The Canadian procurement included two parts. First, the Public Health Agency of Canada awarded Bavarian Nordic a contract to deliver 45,700 doses of IMVAMUNE with the option to deliver an additional 314,300 doses. This represents Bavarian Nordic's first commercial sale of IMVAMUNE in Canada after receiving approval of IMVAMUNE by Health Canada in 2013.

Secondly, the Canadian Department of National Defence, through exercise of an option under an ongoing contract, has ordered 20,000 doses of IMVAMUNE smallpox vaccine to replace the current stockpile for the Canadian Armed Forces. This contract was awarded in 2008 with initial deliveries of 20,000 doses in 2009, followed by a replacement order in 2012. Under this contract, an option of an additional 140,000 doses remains.

Deliveries to the U.S. Strategic National Stockpile
In September, the U.S. government exercised an option valued at USD 118 million for the delivery of additional 4 million doses of IMVAMUNE smallpox vaccine to the SNS. Deliveries are expected to be completed by year-end 2014. This is the second option exercised to purchase additional doses of IMVAMUNE to maintain the stockpile in case of a public health emergency. The two replenishment options are valued at USD 228 million.

Bavarian Nordic has been delivering IMVAMUNE to the SNS for emergency use since 2010. A total of 25 million doses have been delivered, including 1 million doses during the third quarter of 2014.

Future smallpox vaccine orders from the U.S.
Bavarian Nordic is well positioned for future delivery contracts with the U.S. Government beyond those currently in place. By awarding the contract to develop a freeze-dried formulation of IMVAMUNE, the U.S. Government signaled its strong desire to develop a potentially improved formulation of IMVAMUNE that can be procured and stockpiled for emergency use in the SNS.

Under the contract, the Company has validated the freeze-dried manufacturing process and shown the freeze-dried formulation to induce an equivalent immune response and efficacy as the current liquid frozen formulation in numerous preclinical models. In April 2014, the U.S. Government exercised an option at a value of USD 22 million under the contract to fund the transfer of the validated manufacturing process to a new manufacturing line with a larger commercial capacity in preparation for future production of this formulation of the vaccine.

Data to support the clinical requirements for emergency use of the freeze-dried vaccine in the U.S. are currently being finalized and will expectedly be submitted to the FDA in 2015.

These activities will potentially support the production and supply of freeze-dried IMVAMUNE in 2016. Procurement would need to be conducted through a new contract, for which the Company will soon initiate dialogue with the U.S. Government.

Phase 3 registration trials in the U.S.
To support the registration 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 ACAM2000, the current U.S. licensed smallpox vaccine.

In the first Phase 3 study, a total of 3,000 people were vaccinated with three different lots of IMVAMUNE (1,000 subjects per IMVAMUNE lot). 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 soon expected to initiate enrollment at a U.S. military garrison in South Korea.

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

MVA-BN Filovirus – Partnered With Janssen

The current Ebola outbreak in West Africa has given rise to concern amongst authorities internationally. As no approved treatment or vaccine against the disease exists, attention has been drawn to several experimental drugs in development, including Bavarian Nordic's filovirus vaccine candidate.

Bavarian Nordic has collaborated with the U.S. National Institute of Allergy and Infectious Diseases (NIAID), part of the National Institutes of Health (NIH) for several years to advance its MVA-BN technology to develop a multivalent vaccine against Ebola and Marburg viruses, both of which are high-priority biological agents. A recent study, conducted under NIAID's vaccine preclinical services program, demonstrated proof of concept for a prime-boost regimen of two vaccines based on Bavarian Nordic's MVA-BN technology and Janssen's AdVac® technology respectively. Results from the study showed complete protection against the highly virulent Ebola Zaire species, which is responsible for the current outbreak in West Africa.

In October, Bavarian Nordic entered into a global license agreement and a supply agreement for its MVA-BN Filovirus vaccine candidate with Janssen.

Under the terms of the agreement, Bavarian Nordic granted Janssen an exclusive license for its multivalent MVA-BN Filovirus vaccine, designed to protect against Ebola Zaire, Ebola Sudan and Marburg virus. Bavarian Nordic received an upfront payment of US$ 25 million and is entitled to receive up to US$ 20 million in development and regulatory milestones, in addition to royalties for commercial sales outside Africa. Janssen will be fully responsible for all costs associated with the development and commercialization of the vaccine.

In addition, Bavarian Nordic will scale-up its production and is targeting to manufacture more than 1 million doses of the vaccine valued at US$ 99.3 million, of which Janssen will make an initial payment of US$ 70.8 million. The remaining US$ 28.5 million will be received pro rata with deliveries in 2015.

Additionally, through a private placement, Johnson & Johnson Development Corporation has invested DKK 251 million (approximately US$ 43 million) to subscribe for new shares of Bavarian Nordic. For detailed information, see page 10.

Janssen will now undertake further clinical investigation of the prime-boost vaccine regimen and is planning to initiate a Phase 1 clinical study in healthy volunteers in early 2015. Furthermore, Janssen is working closely with authorities as part of its prioritized efforts to make the vaccines available for emergency use to help contain the current outbreak in West Africa.

Other Recombinant MVA-BN Vaccine Candidates - Fully Government Funded

Bavarian Nordic has ongoing contracts with the National Institutes of Allergy and Infectious Diseases (NIAID), the Department of Homeland Security (DHS) and the Department of Defense (DOD) for the evaluation of recombinant MVA-BN vaccine candidates for other biological threats to national security, including anthrax, Burkholderia and foot-and-mouth disease virus (FMDV). The company is continuing to develop and produce recombinant vaccine constructs for preclinical development. Pending the outcome of these trials, additional government funding may be available to further develop successful vaccine candidates.

Foot-and-mouth disease (FMDV)
In July, the contract for the development of a recombinant MVA-BN-based vaccine against FMDV was expanded by USD 400,000 by DHS. The additional award will fund the optimization, generation and evaluation of additional recombinant MVA-BN vaccine candidates. As part of the original contract, Bavarian Nordic already generated a series of vaccine candidates using the MVA-BN vaccine platform; one candidate was selected for a proof of concept efficacy study to be conducted by DHS.

Commercial Vaccines

RSV (Respiratory Syncytial Virus)
The development of an RSV vaccine using the MVA-BN vaccine platform is a key opportunity to further diversify the infectious disease pipeline and address a high unmet medical, as currently there are no approved RSV vaccines. RSV is a major respiratory pathogen in infants, children, and adults and accounts for more than 180,000 hospitalizations every year in the US and results in a comparable number of deaths in the elderly population as influenza. Bavarian Nordic's recombinant MVA-BN-based RSV vaccine candidate has been shown to induce a balanced humoral and cellular immune response against both RSV subtypes, without any signs of enhanced disease in preclinical models. Furthermore, the candidate has been shown to be highly efficacious in preclinical models, including in studies sponsored by the NIH. Following a positive pre-IND discussion with the FDA, an NIH sponsored toxicity study has been initiated that will support the filing of an IND and initiation of a Phase 1 study in healthy adults in 2015.

Additional targets under Janssen Collaboration
In addition to the license to the MVA-BN filovirus candidate, Janssen also entered into an exclusive option period to evaluate the MVA-BN vaccine platform for three additional, undisclosed infectious disease targets. Janssen is granted the exclusive option to collaborate on one or more of the targets, following scientific evaluation of MVA-BN-based vaccine candidates, which will be developed by Bavarian Nordic. Janssen will be responsible for all costs associated with the development of these targets.

Other Developments

Capital increase after completion of a direct placement
In October, Bavarian Nordic completed a direct placement to Johnson & Johnson Development Corporation (JJDC) in connection with the license agreement and supply agreement for the Company's MVA-BN Filovirus vaccine candidate with Janssen.

JJDC subscribed for 1,331,984 new shares at a subscription price of DKK 188.4407 per share of DKK 10, raising gross proceeds to Bavarian Nordic of DKK 251 million.

After the placement, Bavarian Nordic's share capital amounts to DKK 274,448,470 (27.444.847 shares of nominal value of DKK 10 each).

New incentive program for all employees in Bavarian Nordic
The board of directors has today decided to introduce a three year incentive program in January 2015 for all employees in the Bavarian Nordic Group. The program is a cash bonus program based on so-called phantom shares (bonus program based on the development of the Company's share price). This means that each employee in the program will be entitled to exercise a number of phantom shares when the program expires in 2018 and, thus, receive a cash bonus calculated based on the increase in the Company's share price. The incentive program will not have a dilutive effect on the shareholders.

With effect from 1 January 2015, each employee is awarded up to six phantom shares per month of employment until 31 December 2017. Awards will terminate if the employment is terminated. New employees will participate in the program after 3 months employment. During the term of the program, an employee can receive a maximum of 216 phantom shares. The exercise price is DKK 212.25 and has been established as the average share price ("closing price") for the Company's share in a period of 15 business days prior to today added a 15 % premium. At the time of exercise each employee in the program will receive a cash bonus per phantom share equivalent to DKK 1 per share point the share price of the Company's shares exceeds the exercise price. The cash bonus is subject to taxation.

The phantom shares may be exercised from 1 January 2018 to 31 January 2018 (both dates inclusive). Exercise of phantom shares is subject to the price of the Company's shares exceeding the exercise price by at least DKK 5 at the time of exercise in 2018.

Based on the current number of employees in the Group, this 3 year incentive program will comprise up to 89,640 phantom shares, of which the President & CEO will receive up to 216 phantom shares and other members of executive management will receive up to a total of 432 phantom shares. The average present value of each phantom share equals DKK 34.1 calculated on the basis of the Black-Scholes model with a risk-free interest rate of 0.00033 per cent and on the historical volatility of the shares. The calculation is based on a market value of the share of DKK 187 per share.

MVA-BN patent upheld in Europe after validity challenge

As expected, the Board of Appeal at the European Patent Office in November decided to uphold Bavarian Nordic's patent on the MVA-BN virus. According to the Board's decision, which is final and thus cannot be appealed, Bavarian Nordic's European MVA-BN patent has been assigned even broader protection than previously.

Statement from the Board of Directors and Corporate Management

The Board of Directors and Corporate Management have, today reviewed and approved the Bavarian Nordic A/S interim report for the period January 1 to September 30, 2014.

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 September 30, 2014 and the results of the group's activities and cash flows for the period January 1 to September 30, 2014.

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, November 13, 2014

Corporate Management:

Paul Chaplin
President and CEO

Ole Larsen
CFO

Board of Directors:

Gerard van Odijk
Chairman of the Board

Anders Gersel Pedersen
Deputy chairman

Claus Bræstrup

Erik G. Hansen

Peter Kürstein

Financial Statements

Group Key Figures

DKK million	1/7 - 30/9 2014	1/7 - 30/9 2013	1/1 - 30/9 2014	1/1 - 30/9 2013	1/1-31/12 2013
	un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
Income statements					
Revenue	225,2	318,9	675,6	875,0	1.212,5
Production costs	99,1	135,1	328,1	346,8	484,7
Research and development costs	121,9	102,7	313,5	385,0	496,6
Distribution costs	11,6	11,5	34,3	27,4	40,8
Administrative costs	44,2	38,0	121,0	121,8	157,0
Income before interest and taxes (EBIT)	(51,6)	31,6	(121,3)	(6,0)	33,4
Financial items, net	30,9	(6,6)	36,8	(11,7)	(27,2)
Income before company tax	(20,7)	25,0	(84,5)	(17,7)	6,2
Net profit for the period	(18,3)	19,2	(72,0)	(19,9)	(46,7)
Balance sheet					
Total non-current assets			592,5	585,7	551,8
Total current assets			671,3	868,7	900,4
Total assets			1.263,8	1.454,4	1.452,2
Equity			881,5	996,6	976,3
Non-current liabilities			90,0	93,9	86,7
Current liabilities			292,3	363,9	389,2
Cash flow statements					
Securities, cash and cash equivalents			236,1	426,0	532,1
Cash flow from operating activities			(209,7)	0,8	147,1
Cash flow from investment activities			13,0	(200,4)	(146,5)
- Investment in intangible assets			(43,3)	(87,0)	(111,0)
- Investment in property, plant and equipment			(39,7)	(28,5)	(44,4)
Cash flow from financing activities			(4,3)	(5,0)	(7,1)
Financial Ratios (DKK) [1)]					
Earnings (basic) per share of DKK 10[2)]			(2,8)	(0,8)	(1,8)
Net asset value per share			33,7	38,2	37,4
Share price at period-end			114	66	89
Share price/Net asset value per share			3,4	1,7	2,4
Number of outstanding shares at period-end			26.131	26.094	26.094
Equity share			70%	69%	67%
Number of employees, converted to full-time, at period-end			415	427	426

[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).

[2)] Due to issue of new shares (exercise of warrants) in May 2014, earnings per share for 2013 has been calculated based on the average number of shares for 2014 in accordance with IFRS 33.64.

Notes
(stated in the end of this document):

1. Accounting policies
2. Significant accounting estimates, assumptions and uncertainties
3. Segment reporting
4. Revenue
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6. Research and development costs
7. Inventories
8. Other receivables
9. Other liabilities
10. Financial instruments
11. Related party transactions
12. Incentive plans

Income Statement

DKK million	Note	1/7 - 30/9 2014	1/7 - 30/9 2013	1/1 - 30/9 2014	1/1 - 30/9 2013	1/1-31/12 2013
		un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
Revenue	4	225,2	318,9	675,6	875,0	1.212,5
Production costs	5	99,1	135,1	328,1	346,8	484,7
Gross profit		**126,1**	**183,8**	**347,5**	**528,2**	**727,8**
Research and development costs	6	121,9	102,7	313,5	385,0	496,6
Distribution costs		11,6	11,5	34,3	27,4	40,8
Administrative costs		44,2	38,0	121,0	121,8	157,0
Total operating costs		**177,7**	**152,2**	**468,8**	**534,2**	**694,4**
Income before interest and tax (EBIT)		**(51,6)**	**31,6**	**(121,3)**	**(6,0)**	**33,4**
Financial income		32,0	0,8	40,0	1,1	6,6
Financial expenses		1,1	7,4	3,2	12,8	33,8
Income before company tax		**(20,7)**	**25,0**	**(84,5)**	**(17,7)**	**6,2**
Tax on income for the period		(2,4)	5,8	(12,5)	2,2	52,9
Net profit for the period		**(18,3)**	**19,2**	**(72,0)**	**(19,9)**	**(46,7)**
Earnings per share (EPS) - DKK[1)]						
Basic earnings per share of DKK 10		(0,7)	0,7	(2,8)	(0,8)	(1,8)
Diluted earnings per share of DKK 10		(0,7)	0,7	(2,8)	(0,8)	(1,8)

[1)] Due to issue of new shares (exercise of warrants) in May 2014, earnings per share and diluted earnings per share for 2013 have been calculated based on the average number of shares for 2014 in accordance with IFRS 33.64.

Statement of comprehensive income

DKK million	1/7 - 30/9 2014	1/7 - 30/9 2013	1/1 - 30/9 2014	1/1 - 30/9 2013	1/1-31/12 2013
	un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
Net profit for the period	**(18.3)**	**19.2**	**(72.0)**	**(19.9)**	**(46.7)**
Items that might be reclassified to the income statement:					
Exchange rate adjustments, investments in subsidiaries	(26.9)	9.2	(29.5)	7.2	12.7
Fair value of financial instruments entered into to hedge future cash flow:					
Fair value adjustment for the period	-	0.2	-	0.7	0.7
Tax on other comprehensive income	-	(0.1)	-	(0.2)	(0.2)
Other comprehensive income after tax	**(26.9)**	**9.3**	**(29.5)**	**7.7**	**13.2**
Total comprehensive income	**(45.2)**	**28.5**	**(101.5)**	**(12.2)**	**(33.5)**

Statement of financial position

DKK million	Note	30/9 2014	30/9 2013	31/12 2013
		un-audited	*un-audited*	*audited*
Assets				
Acquired patents and licenses		24.5	17.3	20.5
Software		3.5	3.5	3.2
IMVAMUNE development project		91.0	71.2	77.0
Intangible assets in progress		1.1	2.8	3.9
Intangible assets		**120.1**	**94.8**	**104.6**
Land and buildings		171.0	179.9	178.1
Leasehold improvements		1.0	0.7	1.3
Plant and machinery		68.4	87.6	82.8
Fixtures and fittings, other plant and equipment		21.2	20.9	21.3
Assets under construction		72.1	27.6	39.3
Property, plant and equipment		**333.7**	**316.7**	**322.8**
Other receivables		0.9	0.8	0.8
Financial assets		**0.9**	**0.8**	**0.8**
Deferred tax assets		**137.8**	**173.4**	**123.6**
Total non-current assets		**592.5**	**585.7**	**551.8**
Inventories	7	232.8	217.7	233.7
Trade receivables		184.4	190.3	110.1
Tax receivables		1.7	1.3	-
Other receivables	8	4.5	19.1	12.6
Prepayments		11.8	14.3	11.9
Receivables		**202.4**	**225.0**	**134.6**
Securities		90.1	277.2	185.3
Cash and cash equivalents		146.0	148.8	346.8
Securites, cash and cash equivalents		**236.1**	**426.0**	**532.1**
Total current assets		**671.3**	**868.7**	**900.4**
Total assets		**1,263.8**	**1,454.4**	**1,452.2**

Statement of financial position

DKK million	Note	30/9 2014	30/9 2013	31/12 2013
		un-audited	*un-audited*	*audited*
Equity and liabilities				
Share capital		261.1	260.9	260.9
Retained earnings		601.8	677.6	652.0
Other reserves		18.6	58.1	63.4
Equity		**881.5**	**996.6**	**976.3**
Provisions		14.8	19.4	14.8
Credit institutions		75.2	74.5	71.9
Non-current liabilities		**90.0**	**93.9**	**86.7**
Credit institutions		2.3	8.8	8.5
Prepayment from customers		91.2	165.4	150.4
Trade payables		69.8	88.6	113.5
Company tax		-	0.2	0.5
Provisions		2.0	0.8	2.3
Other liabilities	9	127.0	100.1	114.0
Current liabilities		**292.3**	**363.9**	**389.2**
Total liabilities		**382.3**	**457.8**	**475.9**
Total equity and liabilities		**1,263.8**	**1,454.4**	**1,452.2**

Statement of cash flow

DKK million	1/1 - 30/9 2014	1/1 - 30/9 2013	1/1-31/12 2013
	un-audited	*un-audited*	*audited*
Income before interest and tax (EBIT)	**(121.3)**	**(6.0)**	**33.4**
Depreciation, amortization and impairment losses	33.3	36.0	46.2
Expensing (amortization) of IMVAMUNE development project	25.4	134.2	148.0
Share-based payment	9.1	9.9	12.3
Adjustment for other non-cash items	-	-	0.2
Changes in inventories	0.9	11.5	(4.4)
Changes in receivables	(57.7)	(110.7)	(18.8)
Changes in provisions	(0.3)	(11.8)	(16.6)
Changes in current liabilities	(124.5)	(51.8)	(28.2)
Cash flow from operations (operating activities)	**(235.1)**	**11.3**	**172.1**
Received financial income	5.9	6.6	6.6
Paid financial expenses	(3.2)	(7.3)	(17.7)
Exchange rate adjustments intercompany accounts	26.5	(6.7)	(12.0)
Paid corporation taxes	(3.8)	(3.1)	(1.9)
Cash flow from operating activities	**(209.7)**	**0.8**	**147.1**
Investments in and additions to intangible assets	(43.3)	(87.0)	(111.0)
Investments in property, plant and equipment	(39.7)	(28.5)	(44.4)
Disposal of property, plant and equipment	-	-	1.8
Investments in/disposal of financial assets	(0.1)	(0.1)	(0.1)
Investments in/disposal of securities	96.1	(84.8)	7.2
Cash flow from investment activities	**13.0**	**(200.4)**	**(146.5)**
Payment on mortgage and construction loan	(6.4)	(5.0)	(7.1)
Proceeds through issue of new shares (warrants)	2.1	-	-
Cash flow from financing activities	**(4.3)**	**(5.0)**	**(7.1)**
Cash flow of the period	**(201.0)**	**(204.6)**	**(6.5)**
Cash as of 1 January	346.8	353.5	353.5
Currency adjustments 1 January	0.2	(0.1)	(0.2)
Cash end of period	**146.0**	**148.8**	**346.8**
Securities - highly liquid bonds	90.1	277.2	185.3
Credit lines	120.0	120.0	120.0
Cash preparedness	**356.1**	**546.0**	**652.1**

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
Equity as of January 1, 2014	**260.9**	**652.0**	**6.4**	**-**	**57.0**	**976.3**
Comprehensive income for the period						
Net profit	-	(72.0)	-	-	-	(72.0)
Other comprehensive income						
Exchange rate adjustments, investments in subsidiaries	-	-	(29.5)	-	-	(29.5)
Total comprehensive income for the period	**-**	**(72.0)**	**(29.5)**	**-**	**-**	**(101.5)**
Transactions with owners						
Share-based payment	-	-	-	-	4.6	4.6
Warrant program exercised	0.2	2.9	-	-	(1.0)	2.1
Warrant program expired	-	18.9	-	-	(18.9)	-
Total transactions with owners	**0.2**	**21.8**	**-**	**-**	**(15.3)**	**6.7**
Equity as of September 30, 2014	**261.1**	**601.8**	**(23.1)**	**-**	**41.7**	**881.5**

DKK million	Share capital	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity
Equity as of January 1, 2013	**260.9**	**683.0**	**(6.3)**	**(0.5)**	**62.6**	**999.7**
Comprehensive income for the period						
Net profit	-	(19.9)	-	-	-	(19.9)
Other comprehensive income						
Exchange rate adjustments, investments in subsidiaries	-	-	7.2	-	-	7.2
Fair value of financial instruments	-	-	-	0.5	-	0.5
Total comprehensive income for the period	**-**	**(19.9)**	**7.2**	**0.5**	**-**	**(12.2)**
Transactions with owners						
Share-based payment	-	-	-	-	9.1	9.1
Warrant program expired	-	14.5	-	-	(14.5)	-
Total transactions with owners	**-**	**14.5**	**-**	**-**	**(5.4)**	**9.1**
Equity as of September 30, 2013	**260.9**	**677.6**	**0.9**	**-**	**57.2**	**996.6**

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 Copenhagen.

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

The accounting policies used in the interim report are consistent with those used in the Annual Report 2013 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 2013 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).

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 2013, the Management has not performed significant estimates and judgments regarding recognition and measurement.

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 of 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 management for the purposes of 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 in non-current assets are broken down by operating segments and disclosed in the note below.

The accounting policies applied for segment information are the same as the Group's accounting policies.

Period 1/1 - 30/9 2014 (un-audited)

DKK million	Cancer Immuno-therapy	Infectious Diseases	Holding	Total
IMVAMUNE sale	-	576.3	-	576.3
Contract work	-	99.3	-	99.3
Revenue	**-**	**675.6**	**-**	**675.6**
Depreciation, amortization and impairment losses	2.7	26.9	3.7	33.3
Income before interest and tax	**(271.5)**	**210.1**	**(59.9)**	**(121.3)**
Purchase/sale () of internal services	0.3	(0.3)	-	-
Distribution of the holding costs	7.1	38.2	(45.3)	-
Income before interest and tax after allocations	**(278.9)**	**172.2**	**(14.6)**	**(121.3)**
Investments	3.8	78.8	0.4	83.0

Period 1/1 - 30/9 2013 (un-audited)

DKK million	Cancer Immuno-therapy	Infectious Diseases	Holding	Total
IMVAMUNE sale	-	562.0	-	562.0
IMVAMUNE sale, development results	-	173.0	-	173.0
Contract work	-	140.0	-	140.0
Revenue	**-**	**875.0**	**-**	**875.0**
Depreciation, amortization and impairment losses	5.6	26.2	4.2	36.0
Income before interest and tax	**(222.7)**	**283.8**	**(67.1)**	**(6.0)**
Purchase/sale () of internal services	0.4	(0.4)	-	-
Distribution of the holding costs	8.7	34.1	(42.8)	-
Income before interest and tax after allocations	**(231.8)**	**250.1**	**(24.3)**	**(6.0)**
Investments	7.8	106.1	1.6	115.5

DKK million	1/7 - 30/9 2014	1/7 - 30/9 2013	1/1 - 30/9 2014	1/1 - 30/9 2013	1/1-31/12 2013
	un-audited	*un-audited*	*un-audited*	*un-audited*	*audited*
4. Revenue					
IMVAMUNE sale	190.3	262.9	576.3	562.0	839.1
IMVAMUNE sale, development results	-	-	-	173.0	173.0
Contract work	34.9	56.0	99.3	140.0	200.4
Sale of services	34.9	56.0	99.3	313.0	373.4
Revenue	**225.2**	**318.9**	**675.6**	**875.0**	**1,212.5**
5. Production costs					
Cost of goods sold, IMVAMUNE sale	78.3	104.3	270.9	230.2	328.1
Contract costs	20.2	23.5	51.4	73.6	105.2
Other production costs	0.6	7.3	5.8	43.0	51.4
Production costs	**99.1**	**135.1**	**328.1**	**346.8**	**484.7**
6. Research and development costs					
Research and development costs occured in the period	146.1	156.0	378.9	408.1	556.1
Of which:					
Contract costs recognized as production costs	(20.2)	(23.5)	(51.4)	(73.6)	(105.2)
Capitalized development costs	(11.8)	(45.7)	(39.4)	(83.7)	(102.3)
	114.1	86.8	288.1	250.8	348.6
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	7.8	15.9	25.4	134.2	148.0
Research and development costs	**121.9**	**102.7**	**313.5**	**385.0**	**496.6**

DKK million	30/9 2014	30/9 2013	31/12 2013
	un-audited	*un-audited*	*audited*
7. Inventories			
Raw materials and supply materials	20.6	12.1	14.9
Work in progress	173.2	242.6	237.3
Manufactured goods and commodities	102.9	27.7	50.0
Write-down on inventory	(63.9)	(64.7)	(68.5)
Inventories	**232.8**	**217.7**	**233.7**
Write-down on inventory 1 January	(68.5)	(31.5)	(31.5)
Write-down during the period	(7.5)	(49.5)	(53.9)
Use of write-down	-	2.5	2.5
Reversal of write-down	12.1	13.8	14.4
Write-down end of period	**(63.9)**	**(64.7)**	**(68.5)**

DKK million	30/9 2014	30/9 2013	31/12 2013
	un-audited	*un-audited*	*audited*
8. Other receivables			
Receivable VAT and duties	3.1	7.2	8.6
Financial instruments at fair value	-	5.3	-
Accrued interest	1.4	4.6	2.9
Other receivables	-	2.0	1.1
Other receivables	**4.5**	**19.1**	**12.6**
9. Other liabilities			
Financial instruments at fair value	5.8	-	0.7
Liability relating to phantom shares	6.7	1.2	2.7
Payable salaries, holiday accrual etc.	55.1	12.2	58.4
Other accrued costs	59.4	86.7	52.2
Other liabilities	**127.0**	**100.1**	**114.0**

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 September 30, 2014 (un-audited)

DKK million	Level 1	Level 2	Total
Securities	90.1	-	90.1
Financial assets measured at fair value in the income statement	**90.1**	**-**	**90.1**
Derivative financial instruments at fair value in the income statement (held for trading, currency)	-	(5.8)	(5.8)
Financial liabilities measured at fair value in the income statement	**-**	**(5.8)**	**(5.8)**

As of December 31, 2013 (audited)

DKK million	Level 1	Level 2	Total
Securities	185.3	-	185.3
Financial assets measured at fair value in the income statement	**185.3**	**-**	**185.3**
Derivative financial instruments at fair value in the income statement (held for trading, currency)	-	(0.7)	(0.7)
Financial liabilities measured at fair value in the income statement	**-**	**(0.7)**	**(0.7)**

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 2013.

12. Incentive plans

Outstanding warrants as of September 30, 2014

	Outstanding as of January 1	Addition during the period	Options exercised	Annulled	Terminated	Trans-ferred	Outstanding as of Sep-tember 30
Board of Directors	142.749	-	(4.000)	-	(20.084)	(21.733)	96.932
CEO & President	169.049	50.000	-	-	(32.117)	(36.733)	150.199
Group Management	328.572	80.000	-	-	(48.174)	(100.199)	260.199
Other employees	1.290.927	375.000	-	(132.277)	(159.746)	(61.467)	1.312.437
Retired employees	341.620	-	(14.502)	-	(89.059)	220.132	458.191
Total	**2.272.917**	**505.000**	**(18.502)**	**(132.277)**	**(349.180)**	**-**	**2.277.958**
Weighted average exercise price	**99**	**131**	**114**	**89**	**114**	**-**	**104**
Numbers of warrants which can be exercised as of September 30, 2014							386.983
at an weighted average exercise price of DKK							212

The total recognized cost of the warrant programs was DKK 4.5 million in the first nine months of 2014 (DKK 9.1 million).

Specification of parameters for Black-Scholes model

DKK	Maj 2010	Aug 2010	Dec 2010	Aug 2011	Maj 2012	Aug 2012	Feb 2013	Aug 2013	Dec 2013	Aug 2014
Average share price	212,50	223,00	238,00	50,00	43,30	52,00	45,50	68,00	82,00	117,50
Average exercise price at grant	291,00	259,00	261,00	54,10	54,00	59,10	55,00	73,90	96,50	131,40
Average exercise price after rights issue [1]	216,00	192,00	194,00	-	-	-	-	-	-	-
Expected volatility rate	62,7%	57,2%	49,5%	73,4%	52,5%	50,0%	28,3%	36,4%	35,4%	39,7%
Expected life (years)	3,0	3,0	3,0	3,3	3,3	3,3	3,1	3,3	3,3	3,3
Expected dividend per share	-	-	-	-	-	-	-	-	-	-
Risk-free interest rate p.a.	2,00%	0,77%	1,63%	1,08%	0,31%	-0,09%	0,22%	0,78%	0,74%	0,63%
Fair value at grant [2]	72	76	78	24	13	16	6	16	17	29
Fair value after rights issue [3]	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

Appendix

Table 1
Overview of ongoing and completed contracts with the U.S. Government as of September 30, 2014.

USD million		**P&L**		**Cash Flow**	
	Contract value	Revenue recognized	To be recognized	Received	To be received
IMVAMUNE: RFP-3	778	678	100	662	116
IMVAMUNE: RFP-2	116	115	1	115	1
IMVAMUNE: RFP-1	14	14	0	14	0
IMVAMUNE: Freeze-dried	95	43	52	41	54
Marburg	18	3	15	3	15
Foot-and-mouth	1	1	0	1	0
Burkholderia	1	0	1	0	1
TOTAL	**1,023**	**854**	**169**	**836**	**187**