

To the Copenhagen Stock Exchange**Bavarian Nordic and GSK to terminate collaboration**

Bavarian Nordic A/S announced today that it has agreed with GlaxoSmithKline (GSK) not to pursue a collaboration for the production and marketing of IMVAMUNE[®], a third generation smallpox vaccine under development, as contemplated in a Memorandum of Understanding signed by the two companies in 2004. The Memorandum was signed to ensure sufficient production capacity from several facilities, and distribution of IMVAMUNE[®] to various international markets at a time where Bavarian Nordic's own state-of-the-art production facility was not established. Now Bavarian Nordic has the capacity to produce the expected RFP-III order.

Termination of the agreement will not have any negative financial consequences for Bavarian Nordic or GSK.

Production, marketing and distribution of IMVAMUNE[®] will be handled by Bavarian Nordics own production facility and sales organisation, combined with local and regional agents and distributors experienced in delivering on government contracts.

Peter Wulff, President & CEO of Bavarian Nordic, said: "Bavarian Nordic's strategic and market position is today stronger than at the time we signed the Memorandum with GSK. We are now capable of handling production and marketing of IMVAMUNE[®] to the authorities ourselves. With our approved production facility we are now able to meet market demand, including the expected RFP-III order. We have also built up our own sales and marketing organisation, which has already established relations with the authorities and governments in various global markets. We are ready to exploit the commercial opportunities anticipated subsequent to the RFP-III order. If market demand should exceed our own capacity, our discussions on a future collaboration with GSK may be resumed."

Kvistgård, 2 February 2007

Asger Aamund
Chairman

Contacts: **Peter Wulff, President & CEO**
Telephone: +45 33 26 83 83

Media: United Kingdom
Mary Clark, Capital MS&L
Telephone: +44 207 307 5330

Media: United States of America
Elizabeth Dempsey Becker, Bavarian Nordic Inc.
Telephone: +1 202 725-0501

About Bavarian Nordic A/S:

Bavarian Nordic (CSE: BAVA) is a leading international biopharmaceutical company developing and producing innovative vaccines to prevent and treat infectious diseases and cancer. With operations in Denmark, Germany, the USA, and Singapore, Bavarian Nordic employs over 200 people.

Bavarian Nordic's patented technology, MVA-BN[®], is as been demonstrated in clinical studies, one of the world's safest, multivalent vaccine vectors for the development of vaccines against various infectious diseases such as smallpox, HIV/AIDS, as well as against breast and prostate cancer. Several MVA-BN[®]-based HIV and smallpox vaccines are in clinical Phase I and Phase II trials.

Bavarian Nordic has ongoing development contracts with the US government to develop IMVAMUNE[®] as a safe third-generation smallpox vaccine. Bavarian Nordic has supplied several other governments with smallpox vaccines.

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.

Stockwise Resumé

Bavarian Nordic and GSK to terminate collaboration