

## **Bavarian Nordic A/S – Board of Directors’ comments to proposed resolutions from shareholder to be considered at the Annual General Meeting**

Fundamental Fondsmæglerselskab A/S has sent a registered letter dated 28 February 2008 proposing two resolutions it wishes to have considered at the Annual General Meeting of Bavarian Nordic A/S to be held on 29 April 2008.

The Board of Directors has decided to give an account of its views on the proposed resolutions concurrently with the distribution of the notice convening the Annual General Meeting. The Board of Directors also intends to give an account thereof at the Annual General Meeting on 29 April 2008.

Fundamental Fondsmæglerselskab A/S proposes a resolution to the effect that “The general meeting requests of Mr Asger Aamund in his capacity as Chairman of the Board/Member of the Board of Directors that he refrains from publicly commenting on his personal purchase and sales preferences in Bavarian Nordic A/S and considerations thereof.”

Mr. Asger Aamund has indicated to the Board of Directors that, in his capacity as both Chairman and a major shareholder of Bavarian Nordic A/S, it has always been important to him not to make any statements that would be detrimental to the company. However, Mr. Aamund has concurrently had to take into account the fact that the equity market has considered and always considers it interesting to ask him about his purchasing and selling interests.

In fact, this is not unusual, and as Chairman of the company, Mr. Asger Aamund is under a statutory obligation to disclose his transactions in the shares of Bavarian Nordic; and as a major shareholder he has a similar obligation to disclose his shareholdings when he crosses the flagging thresholds of 5%, 10%, 15%, etc., respectively.

Notwithstanding the fact that Mr. Asger Aamund is subject to these statutory disclosure obligations and that he is regularly contacted and asked about his purchasing and selling interests in the shares of Bavarian Nordic, according to information given to the Board of Directors, he has, out of consideration for the Company, always followed the principle that he never makes any comments on his current purchasing and selling interests. The Board of Directors has not been able to verify that Mr. Aamund has said that he intended sell his shares. Mr. Asger Aamund has stated to the Board of Directors that he always says that he is an institutional investor and that, as such, he is entitled to buy and sell shares, but that he has no current plans of selling.

The Board of Directors considers that this answer appropriately has ensured and continues to ensure the motive of not mixing Mr. Asger Aamund’s shareholder interests with his position as Chairman of the Board and concurrently ensures that there is an open and good relationship between Bavarian Nordic and the equity market, for the benefit of the company’s shareholders in general.

Furthermore, the Board of Directors considers it appropriate to emphasise that Mr. Asger Aamund’s participation in the capital increases made by Bavarian Nordic has been crucial to facilitating such capital increases. This is a factor that does not apply to other institutional investors. The Board of Directors therefore understands that it is important to Mr. Asger Aamund that, on the one hand, it is clear that, as any other institutional investor, he reserves the right to buy and sell shares in Bavarian Nordic, but that it is also clear that he has no current plans of selling.

Against that background, the Board of Directors considers that the proposed resolution in question is unnecessary and therefore recommends that it is not adopted.

Fundamental Fondsmæglerselskab A/S further proposes a resolution to the effect that “The Annual General Meeting imposes the following on Mr. Asger Aamund if he is elected a member of the Board of Directors of Bavarian Nordic A/S, and if the Board of Directors subsequently elects Mr. Asger Aamund as Chairman:

If Bavarian Nordic A/S receives notification of a potential offer for the acquisition of the Company, such notification shall be submitted to the entire Board of Directors. If, in such notification, a premium for the acquisition of the Company’s shares is indicated to be at least 10 per cent higher than the actual share price at any given time, the Board of Directors shall publish such offer.”

The Board of Directors initially wishes to emphasise that the Board of Directors of Bavarian Nordic naturally complies with the rules applicable to the company as a listed company.

This includes, inter alia, that if Bavarian Nordic receives an inquiry from a prospective acquirer of the company, this would be a situation that falls within the powers of the Board of Directors and, as such, it would be discussed by the entire Board of Directors.

In connection with the treatment and handling of a prospective acquirer, the Board of Directors will act responsibly, which implies that it will focus on securing the highest possible price for the shareholders.

In particular in relation to the proposed resolution to disclose an indicated premium of a minimum of 10% over the market price of the shares, the Board of Directors is of the opinion that, in addition to being contrary to normal business practice in connection with a takeover bid, this also implies a significant risk that it would be impossible to carry out a sale in practice. The wording of the proposed resolution implies that, if the resolution is adopted, the Board of Directors would be under an obligation to disclose any enquiries received very early in the process. The proposal reads "inquiry regarding a potential sale" and that "includes an indication of a premium". The Board of Directors is of the opinion that any adoption of such a resolution would have the consequence that no interested acquirers would dare make such enquiries.

In practice contacts by prospective acquirers are made on a highly confidential basis, and confidentiality will also be a condition for any further negotiations that might be held between the Board of Directors and the potential acquirer. In that connection, it should be noted that it would normally be highly detrimental to such negotiations if there were an obligation to disclose indicated prices, etc. Moreover, it would deprive the Board of Directors of any opportunity of negotiating a higher price, for instance by initiating an auction process during which other bidders are given the opportunity to join the process.

In continuation of the above – and with reference to the debate in the media to which the inquiry by Fundamental Fondsmæglerselskab A/S has given rise – the Board of Directors wishes to emphasise, for the sake of good order, that Bavarian Nordic is not under an obligation under the stock exchange rules and regulations to publish a company announcement if a potential bidder indicates a premium of 10% over the market price of Bavarian Nordic's shares. The legal framework for this is set out in section 27 of the Danish Securities Trading Act which provides that, as long as confidentiality can be secured with respect to the potential bid, Bavarian Nordic can in practice postpone disclosure thereof until such time as the negotiations have been completed and the bidder makes an official tender offer.

Overall, the Board of Directors therefore recommends that this proposed resolution should not be adopted as it would impose unnecessary restrictions on the Board of Directors' freedom of action and be detrimental to the interests of the company's shareholders.

Kvistgård, 8 April 2008

Board of Directors of Bavarian Nordic

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**About Bavarian Nordic**

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 260 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 vaccines are in clinical Phase I and Phase II trials. Bavarian Nordic has ongoing development contracts with the US government to develop a third-generation smallpox vaccine, IMVAMUNE®. Bavarian Nordic has supplied several other governments with smallpox vaccines.

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