

## Bavarian Nordic A/S – Annual Results 2007

Today Bavarian Nordic published the company's Annual Report 2007. The report is available on the company's website. Below is an extract of the most significant matters in the report as well as events after the balance sheet date.

Bavarian Nordic's revenue for the year 2007 was DKK 332.1 million with a loss before tax of DKK 50.5 million, which was in line with the Company's latest guidance. For 2008, Bavarian Nordic expects revenue in the region of DKK 180 million, and a pre-tax loss in the region of DKK 225 million as the first deliveries of vaccines for the US government under the RFP-3 contract are not expected to take place before 2009.

In spring 2008, the Company completed a strategy process, resulting in a strategy plan, which contains a number of new initiatives and prioritising of existing activities. Conclusions from the process and derived initiatives will be implemented during 2008.

### 2007 outline

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The year 2007 was a busy and eventful year, but also a very successful year. With the award of the RFP-3 contract from the US authorities Bavarian Nordic fulfilled the most important milestone in the history of the Company. The contract was awarded after prolonged negotiations in which the Company succeeded, as the first in the world, in obtaining advance and milestone payments under Project BioShield. In addition to the base contract of USD 500 million for the delivery of 20 million doses of the company's third-generation smallpox vaccine, IMVAMUNE<sup>®</sup>, the contract includes an option contract of USD 1.1 billion for the delivery of an additional 60 million doses.

After the RFP-3 contract was signed, Bavarian Nordic successfully fulfilled all the requirements relating to the development of physical safety, IT security, validation of production and test processes, etc. underlying the advance payment of USD 50 million and the two milestone payments of USD 25 million each. These payments helped make the current financial position the best ever in the Company's history.

In our pipeline, we have presented important data on IMVAMUNE<sup>®</sup>. Three out of five Phase II studies have been completed and show very promising results. When the HIV Phase II-data package is available – expected late in 2008 – and has been accepted by the US health authorities, Bavarian Nordic can begin delivering the vaccine to the US national stockpile and thus begin invoicing.

In 2007, Bavarian Nordic refocused its HIV strategy. Against a backdrop of recommendations from international scientific committees, data from the *nef* programme has been incorporated into the *multiantigen* programme, which thus continues to be our future HIV project.

Important progress has also been achieved in our cancer research as Phase I/II studies of the breast cancer vaccine candidate were commenced.

### Financial Review 2007

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Unless otherwise stated, the financial review is based on the consolidated financial information for the year ended 31 December 2007 as included in the Annual Report 2007 with comparative figures for 2006 in brackets. The accounting policies are unchanged from the Annual Report for 2006.

A pre-tax loss of DKK 50.5 million (DKK 204.8 million) was recorded for the year, which was in line with our guidance in the nine-month interim report published on 6 November 2007.

The increase in revenue and earnings in 2007 was achieved as the Group completed two milestones of USD 25 million each as part of the RFP-3 contract awarded in June 2007.

The Group's free net liquidity was strengthened in 2007 and stood at DKK 833.6 million at the end of the year (DKK 217.7 million). The improvement was attributable to a rights issue made in March 2007 (net proceeds of DKK 443.5 million), the exercise of warrants by employees and management (net proceeds of DKK 47.7

million), and advance and milestone payments received under the RFP-3 contract (USD 100 million). By end of February 2008 the free net liquidity had increased to DKK 902 million.

Equity was DKK 1,217.7 million at 31 December 2007 (DKK 691.4 million).

## Outlook for 2008

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For 2008, Bavarian Nordic expects revenue in the region of DKK 180 million, and a pre-tax loss in the region of DKK 225 million.

Revenue is expected to consist of the third milestone payment under the RFP-3 contract and invoicing in continuation of the RFP-2 contract. Except for the contract with an Asian country for the delivery of IMVAMUNE<sup>®</sup> as mentioned below, contracts with other countries for smallpox vaccines are not included in the guidance for 2008, as this would still be too uncertain due to the long-term process involved in obtaining each contract.

Research and development costs in 2008 are expected to be approximately DKK 280 million, including the further development of IMVAMUNE<sup>®</sup> under the RFP-3 contract, of which DKK 70 million expectedly are capitalised in the balance sheet under intangible assets.

In 2008, the Company's cash resources will be extraordinarily affected by increased production costs in connection with the upscaling of production, build-up of vaccine stockpiles under the RFP-3 and increased costs for Phase II studies of IMVAMUNE<sup>®</sup>. Thus the liquidity drain in 2008 will be around DKK 400 million. At the end of 2008 the Company's net free liquidity is expected to amount to around DKK 500 million.

The forecast above assumes that, as part of the RFP-3 contract, Bavarian Nordic in late 2008 files the necessary data to the FDA that has the potential to support the use of IMVAMUNE<sup>®</sup> in a declared emergency. Acceptance by the US authorities of this data will be the trigger to initiate delivery of vaccines to the United States. Since approval by the authorities is outside the control of the Company, the budget assumes that approval is *not* received in time to begin delivery of IMVAMUNE<sup>®</sup> in 2008. Bavarian Nordic expects that the 20 million doses of IMVAMUNE<sup>®</sup> under the RFP-3 contract will be delivered in 2009 – 2011.

Furthermore, the net profit forecast assumes that Bavarian Nordic obtains the necessary approvals to continue its preclinical and clinical trials.

## Events after the balance sheet date

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### **Bavarian Nordic has signed contract with Asian country for the delivery of IMVAMUNE<sup>®</sup>**

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

This contract, which is considered as an initial order, is Bavarian Nordic's first outside USA for delivery of IMVAMUNE<sup>®</sup>. The extent and value of the contract are undisclosed.

Bavarian Nordic will manufacture and deliver IMVAMUNE<sup>®</sup> smallpox vaccines for this country before initiating the delivery of the 20 million doses of IMVAMUNE<sup>®</sup> for the U.S. government.

### **Strategy update**

Since the autumn of 2007, when Anders Hedegaard joined Bavarian Nordic as the new President and CEO, the Company has undergone a strategy process which was completed in spring 2008. Conclusions from the process and derived initiatives will be implemented continuously. In the meantime, the Company is focusing strongly on streamlining its organisation and on value-generating elements that can cement the position of Bavarian Nordic as an innovative, globally leading supplier of vaccines. In the short term, this means that the key focus will be on:

- Fulfilling the RFP-3 contract
- Changed prioritising and optimisation of pipeline

- Building up market demand for IMVAMUNE®

### Fulfilling the RFP-3 contract

With a continuing strong focus on project management, a number of important milestones forward are expected in the development of IMVAMUNE® over the next 12-24 months:

- Completion of Phase II studies in HIV and people diagnosed with Atopic Dermatitis (2008)
- Commencement of Phase III studies (2009)
- Start-up of inventory production of vaccine (2008)
- Start-up of actual delivery of vaccine for the US strategic national stockpile (2009)

To begin delivering IMVAMUNE® to the United States, Bavarian Nordic must first fulfil the requirements connected with the potential use of the vaccine during a declared emergency. Provided that the HIV patient enrolment in the on-going Phase II study progresses as planned, the Company expects to be able to complete this study in late 2008 as previously announced. This Phase II HIV data package will be sent to the US health authorities as part of the evaluation of whether IMVAMUNE® could potentially be used in a declared emergency.. Consequently, the first deliveries of vaccines are expected in 2009. With a view to optimising the use of resources at the manufacturing facility at Kvistgård, delivery of vaccines is expected to be distributed more or less evenly over the period 2009-2011.

### Changed prioritising and optimisation of pipeline

The Company's pipeline currently includes a total of six development programmes in the following three areas: *biodefense, cancer and infectious diseases*.

	Programme	Status	Next milestone
<b>Biodefense</b>	Smallpox (IMVAMUNE®)	Phase II	Phase III (2009)
	Anthrax	Preclinical	Phase I (2008)
<b>Cancer</b>	Breast Cancer	Phase I/II	Safety and immunogenicity data (2008)
	Prostate Cancer	Preclinical	Phase I/II (H1, 2008)
<b>Infectious diseases</b>	HIV <i>multiantigen</i>	Preclinical	Phase I/II (H1, 2008)
	Measles and RSV	Phase I	Phase I in children (H2, 2008)

#### *Biodefense*

This is the Company's principal area of business. The strategy for this area focuses on handling the entire value chain, all the way from development to production and sale of vaccines.

One goal is to complete the registration of IMVAMUNE®. The vaccine will then be commercialised via sales to the United States and other countries.

In addition, the intention is to build up a biodefense portfolio of projects that can complement IMVAMUNE® and ensure the Company a sustained and growing business.

As part of building up this portfolio, Bavarian Nordic has initiated a preclinical programme for an anthrax vaccine. The Company sees a number of synergies – both in the development and in market approach which support the development of such a vaccine. Also, it is expected that a combined anthrax and smallpox vaccine can be developed and thus Bavarian Nordic would be able to offer one vaccine against two of the top biological threats. The anthrax programme is expected to enter Phase I in 2008.

#### *Cancer*

In the short term, the goal is to complete the Phase I/II studies of the vaccine candidate for breast cancer and to initiate Phase I/II studies of the vaccine candidate for prostate cancer.

As and when positive clinical data are obtained, partnering of the projects will be considered and the Company will also keep an eye on potential in-licensing opportunities.

The cancer business area has been given a higher priority and it is the Company's goal to expand the cancer portfolio. Later in 2008 the Company expects to announce initiatives to strengthen this area.

#### *Infectious diseases*

The Company has a number of projects in infectious diseases, all of which are at an early development stage: HIV, measles and RSV, dengue fever and Japanese encephalitis. The goal with the first two projects is to complete early-stage clinical trials. If supported by the data obtained, the option of placing these projects in external partnerships will be explored. Alternatively, the Company will seek other external funding. For the latter two projects, discussions with a potential external partner on clinical development and funding are pending.

The programme for measles and RSV will be tested up to and through clinical Phase I, where it is expected that proof of concept will be obtained.

As for HIV *multiantigen*, Phase I/II clinical studies will be completed, and partnering negotiations will be initiated as and when the project progresses.

#### **Building market demand for IMVAMUNE®**

As part of the process of taking the Bavarian Nordic organisation to new and professional levels, a new commercial organisation was established in 2007 in order to strengthen the Company's commercial activities and build market demand for IMVAMUNE® and future vaccines, including HIV and cancer vaccines.

#### **Changes in management**

During the past year the Executive Management of Bavarian Nordic has been strengthened with new CEO and an Executive Vice President Commercial Affairs. To implement the new strategic initiatives, the Executive Management will be further strengthened with two new people and the appointment of a new member.

René Djurup, Executive Vice President Technical Operations, has decided to resign from his position as of 31 May 2008 in order to dedicate himself to private business activities. The build-up of the Company's production facility - the world's first MVA production plant, was a fantastic achievement headed by René, and the Company wishes to thank him for his great effort and contribution to the industrial development of Bavarian Nordic.

Anders Gram (48) has been appointed as new Executive Vice President Technical Operations. Anders holds an M.Sc. degree in chemical engineering and a Ph.D. in industrial biochemistry. He currently holds the position as Managing Director and Vice President, Biopharma Operations in Novozymes. Previously he worked in various management positions within product supply in the enzyme business area at Novo Nordisk. He will take up position on 1 June 2008 at the latest.

Furthermore, Bavarian Nordic has appointed a new CFO. Ole Larsen (42) will join the company as Executive Vice President Finance on 1 October 2008 at the latest. He currently holds the position as Finance Director and member of the management in Nordisk Film. Previously amongst others he worked as Finance Director at Berlingske Tidende.

Reiner Laus, MD., President & CEO of Bavarian Nordic's US subsidiary, BN ImmunoTherapeutics Inc., will also join the Executive Management. Reiner Laus was previously Vice President of Research and Development at Dendreon Corporation in Seattle, Washington where he was responsible for discovery, pre-clinical and development functions.

Executive Management hereafter consists of the following:

Anders Hedegaard, President & CEO  
Nicolai Buhl Andersen, EVP Commercial Affairs  
Paul Chaplin, EVP Research & Development  
Reiner Laus, EVP, and CEO of BN ImmunoTherapeutics Inc.  
Morten Max Rasmussen, EVP Transactions, Legal & IPR  
Anders Gram, EVP Technical Operations  
Ole Larsen, EVP Finance

### **Annual General Meeting**

The annual general meeting, at which the Annual Report 2007 will be reviewed, will be held on 29 April 2008 at Radisson SAS Scandinavia Hotel, Amagerboulevard 70, DK-2300 Copenhagen.

Convening notice and agenda will be sent to all registered shareholders in the Company in the second week of April.

### **Annual Report**

The full 2007 annual report was published today, Monday 31 March 2008 and is available for download on the company's website: [www.bavarian-nordic.com](http://www.bavarian-nordic.com).

### **Webcast and conference call**

A webcast will be held today at 3 p.m. (CET). President and CEO, Anders Hedegaard will present the annual results. Subsequently there will be a conference call where Anders Hedegaard, Vice President Investor Relations Rolf Sass Sørensen and acting CFO Carsten Andersen will attend.

Dial-in numbers for the conference call are:

UK: +44 (0)20 7162 0025

US: +1 334 323 6201

For additional countries and further details please visit [www.bavarian-nordic.com/webcast](http://www.bavarian-nordic.com/webcast).

### Statement from the Board of Directors and Corporate Management

The Board of Directors and Corporate Management have, as of today, reviewed and approved Bavarian Nordic A/S' Annual Report for the period 1 January - 31 December, 2007. The audited Annual Report has been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU, as well as additional Danish reporting requirements for annual reports and publicly-traded companies.

We consider that the chosen accounting policies is appropriate. It is our opinion, that the Annual Report gives a true and fair view of the Group's assets, liabilities, financial position, results, and cash flow.

Kvistgård, 31 March 2008

### Corporate Management:

Anders Hedegaard  
President & CEO

### Board of Directors:

Asger Aamund  
Chairman

Eigil Bjerl Nielsen

Erling Johansen

Flemming Pedersen

### Appendix: Group Key Figures 2003-2007

### Contact:

Anders Hedegaard, President & CEO | +45 33 26 83 83

### **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.

For more information please visit [www.bavarian-nordic.com](http://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.



## Group Key Figures 2003-2007

Amounts in DKK millions.	2007	2006	2005	2004	2003
<b>Income statements</b>					
Revenue	332.1	175.3	247.6	164.8	524.5
Production costs	64.5	136.3	132.2	70.3	206.5
Research and Development costs	243.6	118.4	114.4	120.4	61.0
Sales expenses and Administrative costs	89.1	124.4	75.4	56.4	43.0
Other operating expenses	-	-	45.4	-	-
Income before interest and tax (EBIT)	(65.0)	(203.8)	(119.8)	(82.3)	214.0
Financial items, net	14.5	(1.0)	3.4	5.6	3.6
Income before company tax	(50.5)	(204.8)	(116.4)	(76.7)	217.6
Net profit for the year	(63.5)	(160.9)	(94.7)	(53.0)	150.6
<b>Balance sheet data</b>					
Total non-current assets	538.8	568.2	472.4	291.8	71.0
Total current assets	1,193.2	386.2	456.2	310.3	358.2
Total assets	1,732.1	954.4	928.6	602.1	429.2
Shareholders equity	1,217.7	691.4	630.1	315.4	347.0
Long-term current liabilities	134.7	150.6	212.2	149.1	2.9
Short-term current liabilities	379.7	112.4	86.3	137.6	79.3
<b>Cash Flow Statements</b>					
Net cash including securities	913.6	332.7	269.0	56.6	198.7
Cash flow from operating activities	163.2	(194.5)	(54.9)	(71.0)	209.3
Cash flow from investment activities	(16.1)	(192.2)	(196.9)	(224.6)	(33.2)
Investment in tangible assets	5.8	73.9	151.2	190.5	28.9
Cash flow from financing activities	440.4	219.0	464.2	152.8	3.1
<b>Financial Ratios (in DKK)</b>					
Earnings per share					
- basic earnings, per share of DKK 10.00	(8.5)	(25.8)	(17.6)	(11.5)	33.4
- diluted earnings, per share of DKK 10.00	(8.5)	(25.8)	(17.6)	(11.5)	32.9
PE, price/earnings ratio	155.8	108.4	108.7	68.0	76.9
Share price at the year-end	293	582	476	539	251
Share price/Net assets value per share	1.9	5.4	4.4	7.9	3.3
Outstanding shares, year-end (thousands)	7,816	6,376	5,797	4,640	4,515
Shareholders' equity share	70%	72%	67%	52%	81%
Number of employees at the end of the year	264	233	224	145	87

Earnings per share (EPS) are calculated in accordance with IAS 33 "Earning per share".

The financial ratios have been calculated in accordance with "Anbefalinger og Nøgletal 2005" (Recommendations and Financial ratios 2005).