BAVARIAN NORDIC

***To the Copenhagen Stock Exchange***

# Bavarian Nordic A/S – Interim Report as of 31 March 2007

The Board of Directors of Bavarian Nordic A/S approved the Company's interim report for the period of 1 January to 31 March 2007, at an ordinary board meeting held today.

**During the period 1 January – 31 March 2007 Bavarian Nordic realised revenues of DKK 28.8 million (as of 31 March 2006: DKK 35.8 million) and a loss before tax of DKK 51.7 million (as of 31 March 2006: loss of DKK 60.9 million). The company's expectations for the full year 2007 result are maintained at revenues of around DKK 130 million and a loss before tax of around DKK 350 million. The U.S. Government has notified Bavarian Nordic of intent to acquire 20 million doses of IMVAMUNE® smallpox vaccine.**

## KEY HIGHLIGHTS

- In March 2007 the company succesfully completed a rights issue increasing the equity and cash preparedness with DKK 443 million. The rights issue added 1,275,236 new shares, each with a nominal value of DKK 10, to the share capital.

- As part of the preparations for the delivery of smallpox vaccines for among others USA, Bavarian Nordic has initiated commercial scale production of IMVAMUNE® on the Kvistgård facility in the first quarter of 2007. During this period 5 batches were produced, including 3 validation batches.

- In Bavarian Nordic's patent infringement action against Acambis at the U.S. International Trade Commission (ITC), the ITC issued on 21 February 2007 an order vacating the initial determination, including its assessment of patent invalidity. The entire investigation will be heard again before the Administrative Law Judge with a new target completion date of 19 October 2007.

- In February 2007, Bavarian Nordic A/S announced that it agreed with GlaxoSmithKline not to pursue a collaboration for the production and marketing of IMVAMUNE®, as contemplated in a Memorandum of Understanding signed by the two companies in 2004 at a time where Bavarian Nordic's own production facility was not established. Now Bavarian Nordic has the capacity to produce the forthcoming RFP-3 order.

## DEVELOPMENTS AFTER THE CLOSE OF THE FISCAL PERIOD (1 APRIL – 26 APRIL 2007)

U.S. Government notifies Bavarian Nordic of intent to acquire 20 million doses of IMVAMUNE®
Following a competitive RFP process, Bavarian Nordic has received notification from the U.S. Department of Health and Human Services (HHS) that it intends to procure 20 million doses of the company's third-generation IMVAMUNE® smallpox vaccine for the strategic national stockpile. Under the framework of the contract Bavarian Nordic must register IMVAMUNE® for healthy people and extend the license to people who are immune-compromised.

While the principal terms of the agreement have been reached, the contract is currently being finalized. It is expected to be the first HHS procurement contract under the BioShield program since enactment of the Pandemic and All-Hazards Preparedness Act in December 2006.

The HHS notification continues the long-standing collaboration between Bavarian Nordic and the U.S. Government on the development and production of MVA as a safe smallpox vaccine. The decision to award the RFP-3 contract to Bavarian Nordic is a conclusive recognition of the company's substantial achievements in developing the MVA platform technology which has many applications for future vaccines. Bavarian Nordic now enters its industrial phase which marks an important milestone in the strategic development of the company.

Canadian government issues RFP for the acquisition of an MVA-based smallpox vaccine
The Department of National Defence (DND) in Canada has issued a request for proposal for the acquisition of MVA based smallpox vaccines for the protection of 10,000 people and an option for protecting another 10,000 people. A prerequisite for the order is that the supplier must register the vaccine for the Canadian market.

This request for proposal is important as it illustrates that MVA based smallpox vaccines are gradually being accepted as the preferred choice for protecting first-line responders and for replacing and expanding national stockpiles for the general population in the event of a smallpox outbreak.

Bavarian Nordic is preparing its proposal for the Canadian government.

Anders Hedegaard appointed new CEO of Bavarian Nordic. Peter Wulff stays on in Corporate Management.
After 13 years as President and CEO of Bavarian Nordic Peter Wulff has wished to step down. Anders Hedegaard is appointed new President and CEO and will take up his position November 1 or before.

Anders Hedegaard comes from a position as member of ALK-Abelló's Corporate Management in charge of Business Operations. Anders Hedegaard holds a M.Sc. degree in chemical engineering specialising in molecular biology. Anders Hedegaard's management career includes executive positions with Aga, Foss and Novo Nordisk.

Peter Wulff takes over a new position in Corporate Management as Head of Business Development including existing and new scientific commercial activities and projects.

Warrants
During the period from 18 April 2007 until 2 May 2007 warrants awarded the Board, Management and other employees can be exercised, cf. Articles 5c, 5d og 5e of the Articles of Association. Upon full subscribtion of the new shares issued based on the program (up to 185,812 new shares of a nominal value of DKK 10) the company will receive gross proceeds of approximately DKK 50 million.

Outstanding warrants as per 31 March 2007

| Programme | Exercise Price (DKK) | Exercise Period | Board of Directors (Warrants) | Corporate Management (Warrants) | Other management and employees (warrants) | Terminated employees/board members (warrants) | Total |
|---|---|---|---|---|---|---|---|
| 2004 | 283 | 18.4.-2.5.07 | 17,097 | 17,100 | 86,639 | 53,007 | 173,843 |
| 2004 | 437 | 18.4.-2.5.07 | | | 8,549 | | 8,549 |
| 2004 | 590 | 18.4.-2.5.07 | | | 3,420 | | 3,420 |
| Total 2004 programme | | | 17,097 | 17,100 | 98,608 | 53,007 | 185,812 |
| 2006 | 542 | 2 weeks in Q4-2009 and/or Q2-2010 | 21,116 | 15,838 | 145,703 | 2,111 | 184,768 |
| Total | | | 38,213 | 32,938 | 244,311 | 55,118 | 370,580 |

**REPORT FOR THE PERIOD (1 JANUARY – 31 MARCH, 2007, UN-AUDITED)**

**Financial review**
Revenue for the first quarter of 2007 was DKK 28.8 million (as of 31 March 2006: DKK 35.8 million). Revenue was derived from the ongoing contracts with the U.S. Government health authorities (the RFP-I and RFP-II contracts). Revenue is lower than estimated, which is due to postponement of a few clinical trials under the RFP-2 contract. These trials will be adapted to the upcoming RFP-3 contract in collaboration with the U.S. health authorities.

Result before tax was a loss of DKK 51.7 million (as of 31 March 2006: loss of DKK 60.9 million) which is at level with the same period 2006.

Research and development costs totalled DKK 43.3 million (as of 31 March 2006: DKK 34.7 million), which was slightly higher than the same period 2006, due to more activity in this area.

Sales costs and administrative expenses decreased to DKK 18.6 million (as of 31/03/06: DKK 30.4 million) . The decrease is attributed to lower legal fees in connection with ongoing lawsuits and patents.

The company completed a rights issue increasing the equity and cash preparedness with DKK 443 million. The share capital was increased with a nominal value of DKK 12,752,360 (1,275,236 new shares, each DKK 10 nominal value). The new shares were offered with pre-emption rights to the existing shareholders at the ratio of 5:1 with a subscription price of DKK 365 per share of DKK 10.

The net proceeds from the rights issue has resulted in net liquidity for the group of DKK 600 million as of 31 March 2007. The net liquidity will be further strengthened by DKK 50 million due to exercise of a warrants programme which will be completed on 2 May 2007.

The group's cash burn rate is currently approximately DKK 300 million per year.

With the expected payment schedule from the RFP-3 contract, the company has ensured sufficient treasury to advance its research and development programmes and for fulfilling the RFP-3 contract.

Financial guidance for the full year 2007 remain unchanged with expected revenues of around DKK 130 million and a loss before tax of around DKK 350 million. Potential effect from the upcoming RFP-3 order has not been included in these expectations.

## RESEARCH AND DEVELOPMENT

### IMVAMUNE® - third generation smallpox vaccine

In February Bavarian Nordic reported the first safety and immunogenicity data of an MVA based smallpox vaccine in HIV infected subjects. The data represented a land mark in the development of IMVAMUNE® as the trial in 151 people demonstrated that IMVAMUNE® was not only well tolerated, but was as immunogenic in HIV infected subjects as healthy people.

Ongoing Phase II studies

Three Phase II trials, which are pivotal not only for an application of Emergency Use Authorization in the USA, but also registration of IMVAMUNE®, are currently on-going:

- The initial immune data from the Phase II trial in 745 healthy subjects has been completed and is currently being un-blinded to be incorporated into the final study report. Submission of report to the FDA will trigger further discussions with the US authorities on the clinical requirements for licensure of IMVAMUNE®.
- In a multi-center study in the USA, all HIV-infected subjects are expected to be enrolled and vaccinated by the end of 2007.
- A multi-center study has been initiated in Mexico and the USA investigating the safety and immunogenicity of IMVAMUNE® in people diagnosed with atopic dermatitis.

### HIV vaccines

MVA *nef*

Promising efficacy data from the Phase II trial with MVA HIV *nef* was presented at the Conference on Retroviruses and Opportunistic Infections (CROI) in Los Angeles on 27 February 2007. Among the 37 subjects that interrupted HAART there was a clear dose dependent related trend that those subjects vaccinated with MVA HIV *nef* had a lower HIV count compared to the subjects vaccinated with IMVAMUNE®, used in the control group. The analysis of the immune response is continuing and expected August 2007. Based on these positive results, it is the plan to investigate the efficacy of MVA HIV *nef* in a large-scale clinical trial.

MVA-BN® HIV *polytope*

The first Phase I study for the MVA-BN® HIV *polytope* is investigating the safety and immunogenicity of two different doses of the vaccine in 36 healthy subjects. All subjects have been vaccinated and the immune data are expected by the end of the year.

The second study is a Phase I/II trial in HIV infected subjects and currently 7 people have been vaccinated. Enrolment of all 30 subjects is still expected to be completed by July 2007.

An additional Phase I study in healthy subjects is expected to be initiated in the USA in the spring 2007. The study which is sponsored by the National Institutes of Health (NIH), is designed to investigate MVA-BN® HIV *polytope* in conjunction with a DNA vaccine. Bavarian Nordic is working with Pharmexa on the programme.

**Cancer Immunotherapy**

Bavarian Nordic's subsidiary, BN ImmunoTherapeutics is currently preparing the upcoming Phase I/II studies with the MVA-BN®-HER2 vaccine against breast cancer. The first study is expected to be initiated in the first half of 2007. The programme for a prostate vaccine is proceeding according to schedule and clinical trials are expected to be initiated in the second half of 2007.

**Childhood vaccines**

Respiratory Syncytial Virus (RSV)

In the RSV program safety studies have been implemented that will support the Phase I clinical trial planned for 2008. Moreover, to complement in-house efficacy studies, Bavarian Nordic has entered into a collaboration with one of the leading academic groups working with RSV at Imperial College London.

Measles

A dossier to support a Phase I trial for the measles vaccine candidate has been filed in South Africa and the trial is expected to be initiated in July 2007.

## PRODUCTION

Kvistgård: Commercial scale production initiated. New production technologies under evaluation

As part of the preparations for the delivery of smallpox vaccines for among others USA, Bavarian Nordic has initiated commercial scale production of IMVAMUNE® on the Kvistgård facility in the first quarter of 2007. During this period 5 batches were produced, including 3 validation batches. Extensive work analysing the batches, which is necessary for releasing them for use in people, has begun. The first batches are expected to be released in August 2007.

The production process has shown to be highly effective. Thus Bavarian Nordic does not expect to hire a significant number of new employees for the production.

As part of the company's efforts to improve and optimize its vaccine production technology, Bavarian Nordic has entered into a collaboration with among others the French company Vivalis to explore the possibility for growing the MVA-BN® virus and recombinant vaccines derived from MVA-BN® in permanent cell lines. Furthermore Bavarian Nordic has initiated the development of new techniques for purification of MVA-BN® and recombinant vaccines.

Bavarian Nordic's pilot maufacturing plant in Berlin has produced yet another batch of the MVA-BN® HER-2 breast cancer vaccine candidate for clinical trials. Furthermore batches of prostate cancer, RSV and MVA-BN® HIV *multiantigen* vaccines have been releases for preclinical trials.

## LEGAL MATTERS

New MVA patent

In March 2007, the United States Patent and Trademark Office (USPTO) issued a new patent on MVA to the company, thereby finally approving the patent application for which a notice of allowance was issued to the Bavarian Nordic in December 2006. For more information see stock exchange announcement no. 26-06, dated 18 December 2006.

ITC

In Bavarian Nordic's patent infringement action against Acambis at the U.S. International Trade Commission (ITC), the ITC issued on 21 February 2007 an order vacating the initial determination, including its assessment

of patent invalidity. The entire investigation will be heard again before the Administrative Law Judge with a new target completion date of 19 October 2007.

Delaware
The substantive preparations are progressing for the forthcoming hearing in the case pending at the U.S. District Court for the District of Delaware. A pre-trial conference will take place on 8 May 2007, and the jury trial is scheduled for 7 June 2007.

**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' third quarterly report for the period 1 January – 31 March, 2007.

The interim report, which is un-audited, is prepared in accordance with the provisions on recognition and agreement set aside in the International Finance Reporting Standards (IFRS) as approved by the EU, and the additional Danish requirements for submission of interim reports for companies listed on the Copenhagen Stock Exchange.

We consider that the chosen accounting policies applied are appropriate. It is our opinion, that the interim report gives a true and fair view of the group's assets, liabilities, financial position, results, and cash flow.

Kvistgård, 26 April 2007

Corporate Management

Peter S. Wulff
President and CEO

Board of Directors:

Asger Aamund, Chairman | Eigil Bjerl Nielsen | Erling Johansen | Flemming Pedersen

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**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 clinicial 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 A/S – Interim Report as of 31 March 2007*

## Main and key figures (un-audited)

All figures are for the Bavarian Nordic Group.

**Accounting policies**

This interim report, which is unaudited, has been prepared in accordance with the recognition and measument policies in the International Financial Reporting Standards (IFRS/IAS) as adopted by the EU and additional Danish disclosure requirement for interims report for listed companies. The interim report does not include interim report for the parent company.

The accounting policies used in the interim report are consistent with those used in the Annual Report 2006. Please refer to the annual report for a detailed description of the accouting policies applied including defintion of the listed key figures defined and calculated in accordance with "Recommendations and Financial ratios 2005" issued by the the Danish Association of Financial Analysts.

## Income Statements

| DKK million | 1/1-31/3 2007 | 1/1-31/3 2006 | 1/1-31/12 2006 |
|---|---|---|---|
| Revenue | 28.8 | 35.3 | 175.3 |
| Production costs | 18.0 | 26.8 | 136.3 |
| **Gross profit** | **10.8** | **8.5** | **39.0** |
| Research and Development costs | 43.3 | 34.7 | 118.4 |
| Sales and Administrative costs | 18.6 | 30.4 | 124.4 |
| **Total operating costs** | **61.9** | **65.1** | **242.8** |
| **Income before interests and tax** | **(51.1)** | **(56.6)** | **(203.8)** |
| Financial income | 3.4 | 1.2 | 15.0 |
| Financial expenses | (4.0) | (5.5) | (16.0) |
| **Income before company tax** | **(51.7)** | **(60.9)** | **(204.8)** |
| Tax | 11.1 | 14.8 | 43.9 |
| **Net profit** | **(40.6)** | **(46.1)** | **(160.9)** |

## Balance sheets

| DKK million | 31/3 2007 | 31/3 2006 | 31/12 2006 |
|---|---|---|---|
| **Assets** | | | |
| Fixed assets | 417.8 | 377.1 | 421.2 |
| Deferred tax assets | 159.3 | 123.0 | 147.0 |
| Inventories | 11.9 | 14.2 | 12.9 |
| Receivables | 40.8 | 36.8 | 40.6 |
| Total cash and cash equivalents | 679.4 | 534.5 | 332.7 |
| **Assets** | **1,309.2** | **1,085.6** | **954.4** |
| **Equity and liabilities** | | | |
| Shareholders´ equity | 1,094.4 | 814.9 | 691.4 |
| Non-current liabilities | 123.9 | 217.3 | 150.6 |
| Current liabilities | 90.9 | 53.4 | 112.4 |
| **Total liabilities and shareholders´ equity** | **1,309.2** | **1,085.6** | **954.4** |

## Cash Flow statements

| DKK million | 1/1-31/3 2007 | 1/1-31/3 2006 | 1/1-31/12 2006 |
|---|---|---|---|
| Cash flow from operating activities | (57.6) | (20.9) | (194.1) |
| Cash flow from investments activities | (97.2) | (407.0) | (177.2) |
| Cash flow from financing activities | 400.7 | 204.3 | 203.7 |
| Net changes in cash and cash equivalents of period | 245.9 | (223.6) | (167.6) |
| Net liquidity as of 1 January | 101.4 | 269.0 | 269.0 |
| Net liquidity as of 31 March | 347.3 | 45.4 | 101.4 |
| Bank and cash funds | 347.3 | 45.4 | 101.4 |
| Securities - highly liquid bonds | 332.1 | 489.1 | 231.3 |
| **Cash and cash equivalents as of 31 March** | **679.4** | **534.5** | **332.7** |
| - Bank overdraft | - | - | - |
| Trusted/pledged funds | (80.0) | (115.0) | (115.0) |
| Credit lines | 20.0 | 45.0 | 20.0 |
| **Cash preparedness** | **619.4** | **464.5** | **237.7** |

BAVARIAN NORDIC

## Group Key Figures

| | 3 months 31/3 2007 | 3 months 31/3 2006 | Full year 31/12 2006 |
|---|---|---|---|
| Earnings per share | (5.5) | (7.9) | (25.8) |
| PE, price/earnings ratio | 143.0 | 127.8 | 108.4 |
| Share price/Net assets value per share | 3.6 | 3.5 | 5.4 |
| Shareholders equity share | 84% | 75% | 72% |
| Number of full-time employees at the end of the period | 228 | 242 | 233 |

## Shareholders equity

| **2007** | Share capital | Retained earnings | Reserves for exchange rate adjustments | Equity Group | Equity Minority | Equity Total |
|---|---|---|---|---|---|---|
| **Shareholders equity January 1, 2007** | **63.8** | **624.2** | **(1.2)** | **686.8** | **4.6** | **691.4** |
| Exchange rate adjustments regarding foreign companies | | | (0.4) | (0.4) | | (0.4) |
| **Transactions recorded on equity** | | | **(0.4)** | **(0.4)** | | **(0.4)** |
| Net profit | | (39.8) | | (39.8) | (0.8) | (40.6) |
| **Net income** | | **(39.8)** | **(0,4)** | **(40.2)** | **(0.8)** | **(41.0)** |
| Revenue from issues of new shares | 12.8 | 452.7 | | 465.5 | | 465.5 |
| Expenses from issues of new shares | | (22.1) | | (22.1) | | (22.1) |
| Share-based payment | | 0.6 | | 0.6 | | 0.6 |
| **Other transactions** | **12.8** | **431.2** | | **444.0** | | **444.0** |
| **Shareholders equity 31 March 2007** | **76.6** | **1,015.6** | **(1.6)** | **1,090.6** | **3.8** | **1,094.4** |

| **2006** | Share capital | Retained earnings | Reserves for exchange rate adjustments | Equity Group | Equity Minority | Equity Total |
|---|---|---|---|---|---|---|
| **Shareholders equity January 1, 2006** | **58.0** | **570.4** | **(0.2)** | **628.2** | **1.9** | **630.1** |
| Exchange rate adjustments regarding foreign companies | | | (0.3) | (0.3) | | (0.3) |
| **Transactions recorded on equity** | | | **(0.3)** | **(0.3)** | | **(0.3)** |
| Net profit | | (45.4) | | (45.4) | (0.7) | (46.1) |
| **Net income** | | **(45.4)** | **(0.3)** | **(45.7)** | **(0.7)** | **(46.4)** |
| Revenue from issues of new shares | 5.8 | 231.6 | | 237.4 | | 237.4 |
| Expenses from issues of new shares | | (6.2) | | (6.2) | | (6.2) |
| **Other transactions** | **5.8** | **225.4** | | **231.2** | | **231.2** |
| **Shareholders equity 31 March 2006** | **63.8** | **750.4** | **(0.5)** | **813.7** | **1.2** | **814.9** |