

To the Copenhagen Stock Exchange

Bavarian Nordic A/S publishes prospectus for rights issue

On 21 February 2007, Bavarian Nordic A/S will publish a prospectus for a rights issue. The company's shareholders have pre-emption rights to subscribe new shares at the ratio of 1:5 at DKK 365 per share of DKK 10. Gross proceeds from the rights issue are expected to amount to approximately DKK 465 million.

Background

Management expects that the company will be awarded the RFP-3 order for the supply of an expected 20 million doses of IMVAMUNE[®] smallpox vaccines with a contractual value of up to DKK 3 billion from the US authorities during the period from the beginning of March until the end of the first half of 2007. This will make Bavarian Nordic a fully established biopharmaceutical development and production business. Bavarian Nordic commands an integrated research and development organisation, a strong patent portfolio based on the MVA technology, the only dedicated MVA production facility in the world and own marketing of the IMVAMUNE[®] smallpox vaccine in a number of countries as a development-stage product. By having ownership of these links in the value chain, Bavarian Nordic retains most of the value creation within the company.

Management expects that IMVAMUNE[®] will be the best smallpox vaccine in the market, also to secure first line responders, i.e. healthcare staff, police officers, military personnel, infrastructure employees and political decision-makers, who are identified as groups with a special need for protection. Bavarian Nordic commands a strong global position after Acambis, the only competitor in the field, was excluded from the RFP-3 process in November 2006. Consequently, management believes that authorities interested in gradually replacing emergency stocks of old smallpox vaccines will give high priority to IMVAMUNE[®].

Management believes that the expected award of the RFP-3 order combined with the results of all the studies conducted with IMVAMUNE[®] under the RFP-1 and RFP-2 contracts play a key role in the validation of the commercial potential for the group's MVA technology. The large volume of safety data generated in the clinical trials with IMVAMUNE[®] allows Bavarian Nordic to utilise the MVA platform quickly and at relatively low costs in a number of other development projects.

Use of proceeds

Bavarian Nordic's cash preparedness totalled DKK 238 million at 31 December 2006. Assuming the expected award of the RFP-3 order in the period from the beginning of March until the end of the first half of 2007, Bavarian Nordic has a total financing requirement of DKK 750 million until the end of 2008. Management expects that the net proceeds from the rights issue of DKK 443 million combined with expected advance payments from the US authorities, debt financing, proceeds from the exercise of an existing employee warrant programme and the group's current cash preparedness will be sufficient to fund operations until the end of 2008, after which Bavarian Nordic expects to generate a cash inflow from operating activities.

The Group's financing requirement is partly due to the requirement for working capital to manufacture IMVAMUNE[®] vaccines until expected payments are received under the RFP-3 order, and partly due to the requirement for funding of the group's other activities in the fields of HIV, cancer, measles, Respiratory Syncytial Virus and immunotherapy. Overall, the RFP-3 order is expected to result in a cash outflow of DKK 325 million during the period until the end of 2008. Management expects that an Emergency Use Authorisation ("EUA") will be granted in mid-2008, after which delivery of vaccines can begin, and operations will contribute a cash inflow from late 2008. It is expected that the order will generate revenues to Bavarian Nordic of up to DKK 3 billion. The group's other activities are expected to generate a cash outflow totalling DKK 425 million during the period from the beginning of 2007 until the end of 2008. This does not include funding of the group's Phase III clinical trials in the MVA *nef* programme. The group currently intends to seek external funding of the MVA *nef* programme through a collaborative partner. However, the final decision in this respect will depend on the conditions made by any such collaborative partners.

Outlook

For 2006, management expects revenue of DKK 175 million, and a pre-tax loss of DKK 204 million.

For 2006, research and development costs are expected to amount to DKK 120 million.

For 2007, management expects revenue of approximately DKK 130 million, and a pre-tax loss of approximately DKK 350 million. The loss is primarily due to the fact that the company does not expect to

recognise income for 2007 relating to the expected RFP-3 order as the income recognition requirements of IAS 18 will not be met until the EUA has been granted.

For 2007, research and development costs are expected to amount to DKK 230 million.

Rights issue

The rights issue comprises 1,275,236 new shares with a nominal value of DKK 10 each with pre-emption rights to the company's shareholders.

On 20 February 2007, the board of directors resolved to exercise the authorisation contained in the company's articles of association to increase the company's share capital by DKK 12,752,360 nominal value, corresponding to 1,275,236 shares, each with a nominal value of DKK 10.

Subscription price

The subscription price of the new shares is DKK 365 per share of DKK 10, free of brokerage.

Subscription ratio

The company's shareholders have pre-emption rights to the new shares at the ratio of 1:5 to the effect that shareholders will be entitled to subscribe for one new share of DKK 10 for each 5 existing shares of DKK 10 held.

Subscription period

The subscription period for the new shares commences on 10 March 2007 and closes on 23 March 2007, inclusive. It is expected that the new shares will be listed on the OMX Copenhagen Stock Exchange on 29 March 2007.

Trading in subscription rights

The subscription rights will be traded in the period from 7 March 2007 to 20 March 2007, inclusive.

Allocation of subscription rights

Subscription rights will be allocated to shareholders who are registered with VP Securities Services on 9 March 2007 at 12.30 noon (Copenhagen time) as shareholders of Bavarian Nordic A/S. Five subscription rights are required for each new share of DKK 10 nominal value.

Underwriting

In connection with the offering, FIH ERHVERVSBANK A/S and Nordea Bank Danmark A/S (the "Joint Underwriters") have signed an agreement with the company, under which they undertake to subscribe a total of 1,275,236 new shares, thereby underwriting all new shares in the rights issue and gross proceeds from the rights issue of DKK 465 million, subject to certain conditions. The Joint Underwriters have underwritten the rights issue equally and pro rata. The Joint Underwriters have received binding advance commitments from A.J. Aamund A/S, PKA A/S and Fåmandsforeningen LD that they will subscribe for 221,891, 69,000 and 37,562 new shares respectively by exercising all their respective subscription rights. The advance commitments are subject, *inter alia*, to the underwriting agreement not being terminated before the expiry of the subscription period.

Managers

The rights issue is planned and managed by FIH PARTNERS A/S and Nordea Corporate Finance as joint lead managers.

Publication and distribution of prospectus

The prospectus prepared in connection with the rights issue in Bavarian Nordic A/S will be published via the Copenhagen Stock Exchange on Wednesday, 21 February 2007.

The prospectus will be available for inspection at Bavarian Nordic A/S' office at Bøgeskovvej 9, DK-3490 Kvistgård, Denmark. The prospectus will be sent to all registered shareholders. The prospectus is furthermore available on the website – except to persons subject to legislation prohibiting this – at www.bavarian-nordic.com, and will be available from

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Important information for U.S. residents

The rights issue contemplated by the prospectus is made to persons resident in the United States only to the extent such persons are holders of existing shares in Bavarian Nordic A/S, whether directly or through a nominee.

This rights issue will not be, and is not required to be, registered with the US Securities and Exchange Commission under the US Securities Act of 1933 as amended (the "Securities Act"), in reliance upon the exemption from the registration requirements of the Securities Act provided by rule 801 promulgated thereunder for rights offerings. Any resale or transfer of subscription rights by or on behalf of persons resident in the United States is not permitted except outside the United States pursuant to Regulation S of the Securities Act.

This rights issue is made for the securities of a company organised in Denmark. The offer is subject to Danish disclosure requirements, which are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with International Financial Reporting Standards, which may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since Bavarian Nordic A/S is located in Denmark and some or all of its officers and directors may be residents of Denmark. You may not be able to sue a non-US company or its officers or directors in a non-US court for the violations of the US securities laws. It may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

Revision of financial calendar

As a result of the rights issue, the company's announcement of financial results for the financial year 2006 will not be released until Friday, 30 March 2007.

Kvistgård, 20 February 2007

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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 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

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