Interim Financial Report

for the Period January 1 to March 31, 2014

Bavarian Nordic A/S
Hejreskovvej 10A
DK-3490 Kvistgaard
Denmark
CVR-No. DK 16 27 11 87

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Management's Review

Financial Statement for the Period January 1 – March 31, 2014

Financial statements are un-audited. Comparison figures for the same period 2013 are stated in parentheses.

Revenue generated for the three months ended March 31, 2014 was DKK 286 million (DKK 206 million). Revenue was primarily generated from the sale of IMVAMUNE, DKK 254 million (DKK 166 million).

Lower contribution margins were seen on IMVAMUNE sales in the first quarter due to temporary higher production costs relating to 2013. Contribution margin for 2014 is still estimated at 2013 level. The production costs totaled DKK 144 million (DKK 131 million). Costs related directly to revenue amounted to DKK 144 million (DKK 98 million). Other production costs totaled DKK 0 million (DKK 33 million) and reflects a very low production scrap rate for the first quarter of 2014.

Research and development costs totaled DKK 110 million (DKK 110 million), see distribution in note 6.

Distribution costs totaled DKK 11 million (DKK 7 million) and administrative costs totaled DKK 38 million (DKK 42 million). The increase in distribution costs is partly related to the higher sale to the U.S. Strategic National Stockpile; 1,718,000 doses delivered in first quarter 2014 compared to 1,584,000 doses in first quarter 2013. The commercial activities have increased after the approval of IMVAMUNE in EU and Canada, which explains the remaining increase in distribution costs.

Financial items totaled DKK 1 million (DKK 7 million).

Income before tax was a profit of DKK 4 million (loss of DKK 41 million).

Tax on income was an expense of DKK 3 million (income of DKK 7 million).

For the first quarter of 2014, Bavarian Nordic reported a net profit of DKK 1 million (net loss of DKK 34 million).

As of March 31, 2014 the Group's cash preparedness was DKK 535 million (DKK 543 million), including unutilized credit lines of DKK 120 million (DKK 120 million). Cash flow from operations was negative by DKK 80 million (DKK -113 million). Cash flow from investment activities was DKK -38 million (DKK -99 million) and cash flow from financing activities was DKK –2 million (DKK -2 million). The net change in cash and cash equivalents was negative by DKK 120 million (DKK -214 million).

The Group's equity as of March 31, 2014 stood at DKK 979 million (DKK 962 million).

Financial Expectations

The Company maintains its 2014 full-year financial expectations with revenue at the level of DKK 1,200 million and a break-even result before interest and tax (EBIT). The cash preparedness at year-end is expected to be approximately DKK 600 million.

The Infectious Disease division is expected to generate an EBIT of approximately DKK 400 million and the Cancer Immunotherapy division is expected to generate a negative EBIT of approximately DKK 400 million.

As previously communicated, the overall contribution margin on IMVAMUNE sales for the full year is expected to be at the same level as 2013.

Research and developments costs are expected to amount to approximately DKK 600 million, cf. table below.

Research and development costs	**DKK**	**600 million**
Of which:		
Contract costs recognized as production costs	DKK	110 million
Capitalized development costs	DKK	50 million
	DKK	**440 million**
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	DKK	50 million
Research and development costs recognized in P&L	**DKK**	**490 million**

Significant Risks and Uncertainties

Bavarian Nordic faces a number of risks and uncertainties, common for the biotech industry. These relate to operations, research and development, manufacturing, commercial and financial activities. For further information about risks and uncertainties which Bavarian Nordic faces, refer to page 22 "Risk Management" in the 2013 annual report.

Since the publication of the 2013 annual report, the overall risk profile of the Company remains unchanged.

Our Company

Through the development of novel vaccines for the protection of the public against potential biological threats to national security, we have established a successful business in infectious diseases, encompassing a full value chain of research, development and manufacturing capability. All biodefense product candidates are based on our patented and proven technology platform, the viral vector MVA-BN®, suitable for developing new vaccine targets in both preventive and therapeutic settings.

Our long-standing partnership with the U.S. Government on the development and supply of IMVAMUNE smallpox vaccine, as well as a series of development contracts for other biodefense targets, has facilitated the establishment of both a highly specialized organization and a manufacturing infrastructure with the ability to produce and deliver commercial-scale quantities of vaccines. These attributes have set the stage for a sustainable business, allowing Bavarian Nordic to retain and increase value in the Company.

Leveraging these competencies, we have broadened our focus on the development of new and improved therapies for the treatment of cancer by developing active immunotherapies targeting solid tumors for which there still is a high unmet clinical need.

Targeted immunotherapy candidates for the treatment of cancer are part of a growing field in cancer research, which holds great promise by harnessing the natural power of the immune system to fight disease. By eliciting a robust immune response, cancer immunotherapies may slow the progress of the disease and increase overall survival - and may also offer a favorable risk-benefit profile compared to many traditional treatments such as radiation or chemotherapy.

Pipeline

Cancer Immunotherapy

Indication	Program	Status
Prostate cancer	PROSTVAC®	Phase 3
Colorectal cancer	CV-301 colon	Phase 2
Bladder cancer	CV-301 bladder [1)]	Phase 2
Breast cancer	CV-301 breast [1)]	Phase 2
Prostate cancer	MVA-BN® PRO	Phase 1/2
Breast cancer	MVA-BN®-HER2	Phase 1/2

Infectious Diseases

Indication	Program	Status
Smallpox	IMVANEX/IMVAMUNE® *liquid-frozen* [1-4)]	Approved / Phase 3
Smallpox	IMVAMUNE® *freeze-dried* [1)]	Phase 2
Anthrax	MVA-BN® Anthrax [1)]	Preclinical
Filoviruses	MVA-BN® Filo [1)]	Preclinical
Foot-and-mouth disease	MVA-BN® FMDV [1)]	Preclinical
Respiratory syncytial virus (RSV)	MVA-BN® RSV	Preclinical

1) Government funded programs
2) Sold to government stockpiles
3) Approved in the European Union under the trade name IMVANEX® and in Canada under the trade name IMVAMUNE®
4) Phase 3 registration studies are ongoing in the United States

Our Strategy

Bavarian Nordic's strategic ambition is focused on growth strategies that will allow it to become a successful, sustainably revenue-generating biotechnology company. Leveraging the Company's flexible manufacturing facility and expertise in the research and development of poxvirus-based vaccines and cancer immunotherapies, the company is well positioned to maximize future market opportunities.

As a recognized global leader in biodefense, Bavarian Nordic has built its foundation around MVA-BN - its proprietary, flexible poxvirus-platform that has the potential to support a broad pipeline in both infectious diseases vaccines and cancer immunotherapies. Bavarian Nordic's smallpox vaccine, IMVAMUNE, has generated significant revenue to date, and the Company is currently developing an innovative freeze-dried formulation of the vaccine to pursue a potential additional long-term supply contract with the U.S. Government. The Company is also applying its expertise in infectious diseases to advance its pipeline of product candidates for other biological threats to national security (e.g. anthrax) and high unmet medical needs areas (e.g. RSV).

To meet the growing need for innovative cancer therapies, Bavarian Nordic has also developed a robust cancer immunotherapy portfolio, which includes the Phase 3 asset PROSTVAC. Cancer immunotherapy is a highly anticipated novel treatment approach, which is projected to be an important component of future cancer treatment. The Company's cancer immunotherapy portfolio offers tremendous potential in a marketplace seeking improved patient outcomes through the effective combination of synergistic therapies.

The Company's overall strategy to achieve these ambitions is based on the following main parameters:

- Establish a global leadership position in the rapidly growing field of cancer immunotherapy by expanding our pipeline and introducing new combinations of cancer immunotherapies
- License and commercialize PROSTVAC globally through partnerships
- Obtain regulatory approval for IMVAMUNE in the U.S.
- Maintain global leadership in smallpox biodefense and build a long-term revenue stream based on worldwide sales of IMVANEX/IMVAMUNE
- Advance the development of medical countermeasures against other bioterrorism threats by expanding the biodefense pipeline through fully funded development contracts with the U.S. Government
- Expand the pipeline by developing commercial vaccines against infectious diseases for high unmet medical needs
- Maintain leadership in poxvirus manufacturing globally, and establish a flexible manufacturing facility and competences to meet the Company's production requirements in the short, medium and long-term

Our Short-term Objectives

PROSTVAC

- Complete enrollment in the PROSPECT Phase 3 clinical study (Second half of 2014)
- Continue research to maximize the potential of PROSTVAC in combination with checkpoint inhibitors, androgen deprivation therapies and radiotherapy

CV-301

- Finalize development plan for CV-301 in colorectal cancer based upon feedback from the FDA (Second half of 2014)
- Initiate randomized, controlled clinical study depending on availability of funds

IMVANEX/IMVAMUNE

- Secure the second portion of IMVAMUNE delivery contract with the U.S. Government (USD 118 million) (First half of 2014)
- Continue deliveries of IMVAMUNE to the U.S. Strategic National Stockpile
- Secure orders from the rest of the world
- Complete Phase 2 study of freeze-dried IMVAMUNE to support a pre-EUA (Emergency Use Authorization; a requirement for stockpiling) (2015)
- Initiate final Phase 3 study of IMVAMUNE (First half of 2014)

Other projects

- Initiate NCI-sponsored Phase 1 study of MVA-BN Brachyury (First half of 2014)
- Submit Investigational New Drug application for MVA-BN RSV (2014) followed by initiation of Phase 1 study (2015)

Cancer Immunotherapy

Targeted immunotherapy candidates for the treatment of cancer are part of a promising field of research which harnesses the natural power of the immune system to fight the disease. By eliciting a robust and broad anticancer immune response, immunotherapies may decrease the tumor growth rate, potentially resulting in a prolonged overall survival while maintaining a favorable risk-benefit profile.

Bavarian Nordic's lead product candidates, PROSTVAC and CV-301, are being developed under cooperative research and development agreements (CRADAs) with the U.S. National Cancer Institute (NCI). In addition, the Company has conducted Phase 1/2 clinical development of MVA-BN based product candidates for prostate and breast cancer.

The development programs of PROSTVAC and CV-301 have included more than 1,100 clinical trial subjects treated for varying oncology indications including prostate cancer, colorectal, breast, ovarian and pancreatic cancers.

PROSTVAC - Prostate Cancer Active Immunotherapy Candidate

PROSTVAC is a PSA-targeted immunotherapy candidate, currently in Phase 3 development for the treatment of patients with asymptomatic or minimally symptomatic metastatic castration-resistant prostate cancer (mCRPC). PROSTVAC is also being investigated in NCI-sponsored clinical trials in different stages of the disease and in combination with other treatment modalities. A robust data package has been established through 11 ongoing and completed clinical Phase 1 and Phase 2 trials, where more than 300 patients have been treated, and the immunotherapy candidate has been generally well-tolerated. A randomized, placebo-controlled Phase 2 trial[1] demonstrated the ability of PROSTVAC to extend the median overall survival by 8.5 months in patients with advanced prostate cancer. These results led to the initiation of a pivotal Phase 3 clinical trial (PROSPECT). Other clinical trials of PROSTVAC in combination with radiation, hormonal therapy or chemotherapy, either concomitantly or sequentially, have indicated possible therapeutic synergies for these treatment combinations.

The PROSPECT Phase 3 study
The PROSPECT study is a global randomized, double-blind, placebo-controlled study, which is expected to enroll 1,200 patients with asymptomatic or minimally symptomatic mCRPC. The PROSPECT study is being conducted under a Special Protocol Assessment agreement with the FDA.

Regulatory approvals for the study have been received in the two remaining countries, Germany and the Netherlands, where the first centers are now open for enrollment. Thus the trial has now opened in all 15 planned countries. By May 2014, more than 190 investigative sites were active. The Company anticipates the study to be fully enrolled by year-end 2014.

Interim analyses of the PROSPECT study, formally accepted by the FDA during 2013, offer the opportunity to evaluate whether the results provide opportunity for filing for approval sooner than anticipated.

PROSPECT study design
The primary objective of the PROSPECT study is to determine whether the overall survival of patients receiving PROSTVAC (with or without the addition of granulocyte macrophage colony-stimulating factor; GM-CSF), is superior to that of patients receiving placebo (controls). The overall survival will be evaluated in two separate comparisons:

- PROSTVAC plus GM-CSF versus control
- PROSTVAC without GM-CSF versus control

For the study outcome to be positive, either one or both of the treatment arms must demonstrate a significantly superior overall survival than that of the control arm.

Other PROSTVAC clinical studies
PROSTVAC is currently the subject of three NCI-sponsored clinical studies in different settings, evaluating the investigational targeted immunotherapy in combination with other therapies.

[1] Kantoff-P et al.: Overall survival analysis of a phase II randomized controlled trial of a poxviral-based PSA-targeted immunotherapy in metastatic castration-resistant prostate cancer. J Clin Oncol. 28:1099-1105, 2010.

- One study is a Phase 2 clinical study combining PROSTVAC with enzalutamide – a hormonal therapy which inhibits the androgen receptor and was approved by the FDA in 2012. The study is expected to enroll 38 patients with non-metastatic castration sensitive prostate cancer and will randomize them to receive enzalutamide with PROSTVAC treatment or enzalutamide alone. The primary endpoint will be based on PSA kinetics (tumor re-growth rate after enzalutamide is discontinued).

- The second Phase 2 study combining PROSTVAC with enzalutamide will enroll 76 patients with metastatic castration-resistant prostate cancer who will be randomized to receive enzalutamide with PROSTVAC treatment or enzalutamide only. The primary endpoint is progression-free survival.

- The third study is a Phase 2 clinical study comparing flutamide (anti-androgen therapy) with or without PROSTVAC in 62 patients with non-metastatic prostate cancer. The study is fully enrolled, pending final data. Results from 41 patients indicate an improvement in time to progression (TTP) for those patients receiving PROSTVAC in combination with flutamide (median TTP = 192 days) compared to flutamide alone (median TTP = 108 days).

CV-301 – an Active Immunotherapy Candidate with Potential in Multiple Cancers

CV-301 is a targeted immunotherapy candidate with potential to treat multiple cancers. Like PROSTVAC, CV-301 employs the VF-TRICOM technology. While PROSTVAC incorporates a single antigen over-expressed in prostate cancer (PSA), CV-301 incorporates two tumor-associated antigens (CEA and MUC-1) that are over-expressed in other major cancers, including colorectal, bladder and breast cancer.

CV-301 and its precursors have been the subject of 16 ongoing or completed NCI-sponsored clinical trials in colorectal, breast and other cancers, and more than 400 patients have been treated with the product candidate.

While CV-301 has the potential to treat multiple cancers, the company has prioritized metastatic colorectal cancer as the lead indication for CV-301 based on promising Phase 2 data announced in May 2013 and recently started a bladder cancer study.

CV-301 in colorectal cancer
Promising data from a Phase 2 clinical study of CV-301 in patients with resected metastatic colorectal cancer were published in the Annals of Surgery in May 2013[2]. In the study conducted at Duke University, 74 patients who were disease free after surgical resection of metastatic colon cancer received chemotherapy followed by immunotherapy with CV-301 either as CV-301 modified dendritic cells or in combination with GM-CSF. Compared to a group of 161 contemporary control patients who were matched for key clinical features and had similar surgery and chemotherapy, the overall survival of the CV-301 treated patients was significantly longer ($p < 0.0001$). Treatment with CV-301 was well tolerated, with injection site reactions, fever, fatigue and muscle soreness as the most common side effects.

Discussions with regulatory authorities on a potential larger randomized, placebo-controlled trial to further evaluate CV-301's potential in this setting are ongoing, leading to finalization of the development plan, expected in the second half of 2014. Initiation of the clinical study will depend on availability of funds.

CV-301 in bladder cancer
In April 2014, the NCI initiated a randomized, prospective Phase 2 study of CV-301 in bladder cancer. In the study, 54 patients with high grade non-muscle invasive bladder cancer whose cancer has progressed after initial BCG (Bacillus Calmette-Guerin) treatment will be treated with BCG alone or in combination with CV-301.

The study's primary endpoint is to determine if there is an improvement in disease-free survival for patients receiving CV-301 immunotherapy in combination with BCG treatment compared to those receiving BCG treatment alone. The hypothesis is that CV-301 activates a potent antitumor immune response against bladder cancer cells expressing MUC-1 and/or CEA tumor antigens. Together with a BCG-induced antitumor immune response, the combination therapy has the potential to improve survival in patients whose disease has

[2] Morse MA, et al.: A Randomized Phase II Study of Immunization With Dendritic Cells Modified With Poxvectors Encoding CEA and MUC1 Compared With the Same Poxvectors Plus GM-CSF for Resected Metastatic Colorectal Cancer. Ann Surg. 2013 Dec;258(6):879-86

progressed following the induction course of BCG therapy alone. The lead investigator for the study is Piyush K. Agarwal, M.D., Head, Bladder Cancer Section, National Cancer Institute, NIH.

Bladder cancer is well known to respond to immunotherapy, and BCG was the first modern immunotherapy to be approved in many countries to prevent the recurrence of superficial bladder tumors. BCG is a vaccine against tuberculosis that is prepared from attenuated (weakened) live bovine tuberculosis bacillus that has lost its virulence in humans. BCG immunotherapy is effective in up to 2/3 of the cases at this stage. The mechanism by which BCG prevents recurrence is unknown, but may involve a localized immune reaction which clears residual cancer cells. Although a second induction course can be used in patients who fail a single induction course of BCG, only 35% of patients who failed an initial induction course will experience 12 month disease-free survival after receiving a second induction course.

Infectious Diseases

The successful long-term partnership with the U.S. Government on the development of the IMVANEX/IMVAMUNE smallpox vaccine is a key driver for Bavarian Nordic's infectious diseases business. The Company has been delivering the vaccine to the U.S. Strategic National Stockpile (SNS) for emergency use since 2010. Contracts with the U.S. Government awarded to date for the development and supply of the vaccine exceed USD 1 billion, including awards to advance MVA-BN as a broad platform for the development of medical countermeasures against other potential biological threats.

Ongoing contracts include:

- A USD 549 million contract (RFP-3) for the development, registration and delivery of 20 million doses of IMVAMUNE to the SNS. Awarded in 2007 by the Biomedical Advanced Research and Development Authority (BARDA), a division of the U.S. Department of Health and Human Services (HHS). Deliveries were completed in 2013, but clinical development is still ongoing
- A contract valued at up to USD 228 million for the delivery of up to 8 million doses of IMVAMUNE to the SNS. Awarded in April 2013 by BARDA
- A USD 116 million contract (RFP-2) for the clinical development of IMVAMUNE. Awarded in 2004 by the National Institutes of Allergy and Infectious Diseases (NIAID)
- A contract valued at up to USD 95 million for the development of a freeze-dried version of IMVAMUNE. Awarded in 2009 by BARDA
- A USD 18 million contract to support the advanced development of MVA-BN. Through the development of a combined filovirus and smallpox vaccine, the Company will evaluate novel technologies that may accelerate the immune response to MVA-BN vaccines. Awarded in 2012 by NIAID
- A USD 1 million contract for the development of an MVA-BN-based vaccine against foot-and-mouth disease virus. Awarded in 2012 by the U.S. Department of Homeland Security Science and Technology Directorate (DHS)
- A USD 0.5 million contract for the development of an MVA-BN-based vaccine against Burkholderia pseudomallei and Burkholderia mallei. Awarded in 2014 by the Defense Threat Reduction Agency (DTRA), a division of the U.S. Department of Defense (DOD)

The above listed contracts total USD 1,008 million, of which Bavarian Nordic has received USD 756 million as of March 31, 2014, with up to USD 252 million remaining.

IMVANEX® / IMVAMUNE® Smallpox Vaccine (MVA-BN)

IMVANEX is approved in the European Union for active immunization against smallpox disease for the general adult population, including people with weakened immune systems (people diagnosed with HIV or atopic dermatitis). The authorization covers all European Union member states and Iceland, Liechtenstein and Norway.

IMVAMUNE is approved in Canada for active immunization against smallpox in a public health emergency. In Canada, IMVAMUNE is indicated for persons 18 years of age and older who are contraindicated to replicating smallpox vaccines. This includes individuals with immune deficiencies and skin disorders.

In the U.S., IMVAMUNE is being developed as a non-replicating smallpox vaccine suitable for individuals who are not recommended to receive conventional replicating smallpox vaccines, e.g. individuals with HIV and people with atopic dermatitis. The vaccine is currently in Phase 3 clinical trials.

In clinical trials to date, more than 7,300 individuals have been vaccinated with IMVAMUNE, which has been well-tolerated. The vaccinated subjects include almost 1,000 individuals with HIV or atopic dermatitis.

The development of IMVAMUNE is funded by the U.S. Government, through contracts with BARDA and NIH.

Deliveries to the U.S. Strategic National Stockpile
Bavarian Nordic has been delivering IMVAMUNE to the U.S. Strategic National Stockpile (SNS) for emergency use since 2010. A total of 23.2 million doses have been delivered, of which 1.7 million doses were delivered during the first quarter of 2014.

Current deliveries are part of the new contract valued up to USD 228 million, awarded by the U.S. Government in April 2013 for the continued supply of liquid-frozen IMVAMUNE. The first USD 110 million of the new order is secured, and the second portion of USD 118 million is expected to be secured in the first half of 2014. In January 2014, the U.S. Congress appropriated funds for the BioShield Special Reserve Fund, which supports procurement of biodefense medical countermeasures such as IMVAMUNE and Bavarian Nordic is now waiting for BARDA to finally execute the exercise of the option.

Future smallpox vaccine orders from the U.S.
Bavarian Nordic is well positioned for future delivery contracts with the U.S. Government beyond those currently in place. By awarding the contract to develop a freeze-dried formulation of IMVAMUNE, the U.S. Government signaled its strong desire to develop a potentially improved formulation of IMVAMUNE that can be procured and stockpiled for emergency use in the SNS.

In April 2014, the U.S. Government exercised an option at a value of USD 21.9 million under the existing development contract for freeze-dried IMVAMUNE to fund the transfer of the validated manufacturing process to a new manufacturing line with a larger commercial capacity in preparation for future production of this formulation of the vaccine.

Under the freeze-dried contract, the Company has validated the freeze-dried manufacturing process and shown the freeze-dried formulation to induce an equivalent immune response and efficacy as the current liquid frozen formulation in numerous preclinical models.

The execution of this option follows the completion of enrollment of 680 healthy subjects in a Phase 2 study designed to meet the clinical requirements for emergency use in the U.S. of the freeze-dried formulation of the vaccine, which would enable the product to be stockpiled. A freeze-dried formulation is expected to reduce life cycle management costs based on a longer shelf life. Data from the study are expected to be submitted to the FDA in 2015, potentially supporting the production and supply of freeze-dried IMVAMUNE in 2016. Procurement would need to be conducted through a new contract, which the Company expects to initiate dialogue with the U.S. Government in 2014.

Phase 3 registration trials in the U.S.
To support the registration of IMVAMUNE in the U.S., two Phase 3 studies have been agreed upon with the FDA; a lot consistency study in 4,000 healthy individuals and a study in 440 military personnel, designed to demonstrate non-inferiority between IMVAMUNE and the current U.S. licensed smallpox vaccine.

The first Phase 3 study was initiated in March 2013 and completed enrollment in August, four months ahead of schedule. A total of 3,000 people were vaccinated with three different lots of IMVAMUNE (1,000 subjects per IMVAMUNE lot). The safety data from the 3,000 subjects receiving IMVAMUNE in this study will be compared with 1,000 additional subjects receiving placebo. Data from the trial are expected in 2015.

The second Phase 3 study comparing the safety and immunogenicity of IMVAMUNE to the U.S. licensed smallpox vaccine is expected to initiate enrollment in the first half of 2014. In collaboration with Military Vaccine Agency (MILVAX), a CRADA was signed with the U.S. Army Research Institute for Infectious Diseases (USAMRIID) to perform the trial at a U.S. military garrison in South Korea.

While Bavarian Nordic proceeds with the clinical trials, the overall licensing package, including the supporting preclinical data, will have to be agreed with the FDA and later ratified by a Vaccines-Related Biological Product Advisory Committee.

Recombinant MVA-BN Vaccine Candidates - Fully Government Funded

Bavarian Nordic has ongoing contracts with the NIAID, DHS and DOD for the evaluation of recombinant MVA-BN vaccine candidates for other biological threats to national security, including Marburg, Burkholderia and foot-and-mouth disease virus. The company is continuing to develop and produce recombinant vaccine constructs for preclinical development. Pending the outcome of these trials, additional government funding may be available to further develop successful vaccine candidates.

The company also continues its close collaboration with NIAID to evaluate the efficacy of recombinant MVA-BN vaccine candidates for anthrax in monkey studies which, if successful, could trigger funding of clinical development of the candidate.

Commercial Vaccines

RSV
RSV (respiratory syncytial virus) is a significant cause of respiratory illness and infection-related death, with a similar impact as influenza. While the burden of RSV is highly recognized in the pediatric population, particularly in the very young and those with cardio-respiratory disease, RSV infections are also a serious health concern in the elderly and in immunocompromised individuals. Indeed, about 78% of deaths due to RSV-related underlying respiratory and circulatory disease occur among the population ≥65 years of age. Therapeutic options are limited to supportive measures and there are no approved vaccines against RSV.

The significant impact of RSV on public health makes the development of a safe and protective RSV vaccine a high priority. Since mucosal immunity appears to be important in protection against RSV and would also be expected to limit virus replication at the initial site of infection, the development of a live mucosal vaccine is considered potentially the most effective approach for providing protection.

The development of an RSV vaccine using the MVA-BN vaccine platform has been identified as a key infectious disease target to further diversify the pipeline and address a high unmet medical need. Bavarian Nordic has developed a recombinant MVA-BN-based RSV vaccine candidate, which has been shown to induce a balanced humoral and cellular immune response without any signs of enhanced disease in preclinical models. Furthermore, the lead candidate has been shown to be highly efficacious in preclinical models, including in studies sponsored by the NIH. Following positive discussions with the regulatory authorities the Company expects to submit an Investigational New Drug application to the FDA in late 2014 and to initiate clinical development (Phase 1) in 2015.

Other Developments

Gerard van Odijk elected as new chairman of the board
Following the ordinary general meeting, held on April 24, 2014, the board elected Gerard van Odijk, M.D. as new chairman of the board of Bavarian Nordic. He succeeded Asger Aamund who served as chairman since 1994. Furthermore Anders Gersel Pedersen, M.D. was elected deputy chairman of the board.

Dr. van Odijk has served as board member in Bavarian Nordic since 2008. He is an independent advisor for the pharmaceutical industry in which he has long-time experience from various executive positions. He retired as president and CEO of Teva Pharmaceuticals Europe B.V. in 2012 and has previously held various senior positions in GlaxoSmithKline (GSK). Dr. van Odijk is also chairman of the board of Merus Biopharmaceuticals B.V. and member of the board of UDG Healthcare plc. He is a Dutch national, born in 1957.

Anders Gersel Pedersen, M.D. and deputy chairman has served on the board since 2010. Dr. Pedersen is executive vice president of research and development at H. Lundbeck A/S. He is deputy chairman of the board of Genmab A/S and a member of the board of directors of ALK-Abelló A/S. Dr. Pedersen is a Danish national, born in 1951.

Statement from the Board of Directors and Corporate Management

The Board of Directors and Corporate Management have, today reviewed and approved Bavarian Nordic A/S' interim report for the period January 1 to March 31, 2014.

The interim report has been prepared in accordance with IAS 34 "Presentation of interim reports" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies, including those of NASDAQ OMX Copenhagen. The interim report has not been audited or reviewed by the company's auditors.

In our opinion, the interim report gives a true and fair view of the group's assets and liabilities and financial position as of March 31, 2014 and the results of the group's activities and cash flows for the period January 1 to March 31, 2014.

In our opinion, the management's review provides a true and fair description of the development in the group's activities and financial affair, the results for the period and the group's financial position as a whole as well as a description of the most important risks and uncertainty factors faced by the group.

Kvistgaard, May 14, 2014

Corporate Management:

Anders Hedegaard
President and CEO

Board of Directors:

Gerard van Odijk
Chairman of the Board

Anders Gersel Pedersen
Deputy chairman

Claus Bræstrup

Erik G. Hansen

Peter Kürstein

Financial Statements

Group Key Figures

DKK million	1/1 - 31/3 2014	1/1 - 31/3 2013	1/1-31/12 2013
	un-audited	*un-audited*	*audited*
Income statements			
Revenue	285.9	205.7	1,212.5
Production costs	144.4	131.2	484.7
Research and development costs	89.3	73.5	496.6
Distribution costs	10.8	6.8	40.8
Administrative costs	38.0	41.8	157.0
Income before interest and taxes (EBIT)	3.4	(47.6)	33.4
Financial items, net	0.7	7.0	(27.2)
Income before company tax	4.1	(40.6)	6.2
Net profit for the period	1.2	(33.8)	(46.7)
Balance sheet			
Total non-current assets	560.5	653.0	551.8
Total current assets	771.9	736.2	900.4
Total assets	1,332.4	1,389.2	1,452.2
Equity	978.7	961.5	976.3
Non-current liabilities	84.5	55.0	86.7
Current liabilities	269.2	372.7	389.2
Cash flow statements			
Securities, cash and cash equivalents	414.9	423.0	532.1
Cash flow from operating activities	(79.8)	(112.9)	147.1
Cash flow from investment activities	(37.7)	(99.1)	(146.5)
- Investment in intangible assets			
- Investment in property, plant and equipment	(12.9)	(2.3)	(44.4)
Cash flow from financing activities	(2.1)	(2.2)	(7.1)
Financial Ratios (DKK) [1)]			
Earnings (basic) per share of DKK 10	0.0	(1.3)	(1.8)
Net asset value per share	37.5	36.8	37.4
Share price at period-end	99	69	89
Share price/Net asset value per share	2.6	1.9	2.4
Number of outstanding shares at period-end	26,094	26,094	26,094
Equity share	73%	69%	67%
Number of employees, converted to full-time, at period-end	426	449	426

[1)] Earnings per share (EPS) is calculated in accordance with IAS 33 "Earning per share". The financial ratios have been calculated in accordance with "Anbefalinger og Nøgletal 2010" (Recommendations and Financial ratios 2010).

Notes
(stated in the end of this document):

1. Accounting policies
2. Significant accounting estimates, assumptions and uncertainties
3. Segment reporting
4. Revenue
5. Production costs
6. Research and development costs
7. Inventories
8. Other receivables
9. Other liabilities
10. Financial instruments
11. Related party transactions
12. Incentive plans

Income Statement

DKK million	Note	1/1 - 31/3 2014	1/1 - 31/3 2013	1/1-31/12 2013
		un-audited	*un-audited*	*audited*
Revenue	4	285.9	205.7	1,212.5
Production costs	5	144.4	131.2	484.7
Gross profit		**141.5**	**74.5**	**727.8**
Research and development costs	6	89.3	73.5	496.6
Distribution costs		10.8	6.8	40.8
Administrative costs		38.0	41.8	157.0
Total operating costs		**138.1**	**122.1**	**694.4**
Income before interest and tax (EBIT)		**3.4**	**(47.6)**	**33.4**
Financial income		1.7	8.4	6.6
Financial expenses		1.0	1.4	33.8
Income before company tax		**4.1**	**(40.6)**	**6.2**
Tax on income for the period		2.9	(6.8)	52.9
Net profit for the period		**1.2**	**(33.8)**	**(46.7)**
Earnings per share (EPS) - DKK				
Basic earnings per share of DKK 10		0.0	(1.3)	(1.8)
Diluted earnings per share of DKK 10		0.0	(1.3)	(1.8)

Statement of comprehensive income

DKK million	1/1 - 31/3 2014	1/1 - 31/3 2013	1/1-31/12 2013
	un-audited	*un-audited*	*audited*
Net profit for the period	**1.2**	**(33.8)**	**(46.7)**
Items that might be reclassified to the income statement:			
Exchange rate adjustments, investments in subsidiaries	-	(8.7)	12.7
Fair value of financial instruments entered into to hedge future cash flow:			
Fair value adjustment for the period	-	0.3	0.7
Tax on other comprehensive income	-	(0.1)	(0.2)
Other comprehensive income after tax	**-**	**(8.5)**	**13.2**
Total comprehensive income	**1.2**	**(42.3)**	**(33.5)**

Statement of financial position

DKK million	Note	31/3 2014	31/3 2013	31/12 2013
		un-audited	*un-audited*	*audited*
Assets				
Acquired patents and licenses		23.6	17.2	20.5
Software		5.0	4.6	3.2
IMVAMUNE development project		83.3	132.9	77.0
Intangible assets in progress		0.8	2.3	3.9
Intangible assets		**112.7**	**157.0**	**104.6**
Land and buildings		177.3	185.0	178.1
Leasehold improvements		1.1	0.9	1.3
Plant and machinery		78.0	89.6	82.8
Fixtures and fittings, other plant and equipment		22.8	26.8	21.3
Assets under construction		46.7	11.6	39.3
Property, plant and equipment		**325.9**	**313.9**	**322.8**
Other receivables		0.8	0.7	0.8
Financial assets		**0.8**	**0.7**	**0.8**
Deferred tax assets		121.1	181.4	123.6
Total non-current assets		**560.5**	**653.0**	**551.8**
Inventories	7	204.6	184.6	233.7
Trade receivables		129.9	87.6	110.1
Tax receivables		2.3	1.3	-
Other receivables	8	5.9	8.5	12.6
Prepayments		14.3	31.2	11.9
Receivables		**152.4**	**128.6**	**134.6**
Securities		187.7	283.5	185.3
Cash and cash equivalents		227.2	139.5	346.8
Securites, cash and cash equivalents		**414.9**	**423.0**	**532.1**
Total current assets		**771.9**	**736.2**	**900.4**
Total assets		**1,332.4**	**1,389.2**	**1,452.2**

Statement of financial position

DKK million	Note	31/3 2014	31/3 2013	31/12 2013
		un-audited	*un-audited*	*audited*
Equity and liabilities				
Share capital		260.9	260.9	260.9
Retained earnings		653.2	662.5	652.0
Other reserves		64.6	38.1	63.4
Equity		**978.7**	**961.5**	**976.3**
Provisions		14.8	18.4	14.8
Credit institutions		69.7	36.6	71.9
Non-current liabilities		**84.5**	**55.0**	**86.7**
Credit institutions		8.5	52.1	8.5
Prepayment from customers		72.2	169.5	150.4
Trade payables		61.9	41.3	113.5
Company tax		-	0.2	0.5
Provisions		2.3	14.1	2.3
Other liabilities	9	124.3	95.5	114.0
Current liabilities		**269.2**	**372.7**	**389.2**
Total liabilities		**353.7**	**427.7**	**475.9**
Total equity and liabilities		**1,332.4**	**1,389.2**	**1,452.2**

Statement of cash flow

DKK million	1/1 - 31/3 2014	1/1 - 31/3 2013	1/1-31/12 2013
	un-audited	*un-audited*	*audited*
Income before interest and tax (EBIT)	**3.4**	**(47.6)**	**33.4**
Depreciation, amortization and impairment losses	11.1	11.2	46.2
Expensing (amortization) of IMVAMUNE development project	11.7	-	148.0
Share-based payment	1.3	4.8	12.3
Adjustment for other non-cash items	-	-	0.2
Changes in inventories	29.0	44.6	(4.4)
Changes in receivables	(14.9)	(12.1)	(18.8)
Changes in provisions	0.1	0.5	(16.6)
Changes in current liabilities	(119.2)	(123.6)	(28.2)
Cash flow from operations (operating activities)	**(77.5)**	**(122.2)**	**172.1**
Received financial income	1.4	2.5	6.6
Paid financial expenses	(0.7)	(1.4)	(17.7)
Exchange rate adjustments intercompany accounts	0.1	8.3	(12.0)
Paid corporation taxes	(3.1)	(0.1)	(1.9)
Cash flow from operating activities	**(79.8)**	**(112.9)**	**147.1**
Investments in and additions to intangible assets	(21.2)	(10.2)	(111.0)
Investments in property, plant and equipment	(12.9)	(2.3)	(44.4)
Disposal of property, plant and equipment	-	-	1.8
Investments in/disposal of financial assets	-	-	(0.1)
Investments in/disposal of securities	(3.6)	(86.6)	7.2
Cash flow from investment activities	**(37.7)**	**(99.1)**	**(146.5)**
Payment on mortgage and construction loan	(2.1)	(2.2)	(7.1)
Cash flow from financing activities	**(2.1)**	**(2.2)**	**(7.1)**
Cash flow of the period	**(119.6)**	**(214.2)**	**(6.5)**
Cash as of 1 January	346.8	353.5	353.5
Currency adjustments 1 January	-	0.2	(0.2)
Cash end of period	**227.2**	**139.5**	**346.8**
Securities - highly liquid bonds	187.7	283.5	185.3
Credit lines	120.0	120.0	120.0
Cash preparedness	**534.9**	**543.0**	**652.1**

Statement of changes in equity - Group

DKK million	Share capital	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity
Equity as of January 1, 2014	**260.9**	**652.0**	**6.4**	**-**	**57.0**	**976.3**
Comprehensive income for the period						
Net profit	-	1.2	-	-	-	1.2
Other comprehensive income						
Exchange rate adjustments, investments in subsidiaries	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**1.2**	**-**	**-**	**-**	**1.2**
Transactions with owners						
Share-based payment	-	-	-	-	1.2	1.2
Warrant program expired	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**1.2**	**1.2**
Equity as of March 31, 2014	**260.9**	**653.2**	**6.4**	**-**	**58.2**	**978.7**

DKK million	Share capital	Retained earnings	Reserves for currency adjustment	Reserves for fair value of financial instruments	Share-based payment	Equity
Equity as of January 1, 2013	**260.9**	**683.0**	**(6.3)**	**(0.5)**	**62.6**	**999.7**
Comprehensive income for the period						
Net profit	-	(33.8)	-	-	-	(33.8)
Other comprehensive income						
Exchange rate adjustments, investments in subsidiaries	-	-	(8.7)	-	-	(8.7)
Fair value of financial instruments	-	-	-	0.2	-	0.2
Total comprehensive income for the period	**-**	**(33.8)**	**(8.7)**	**0.2**	**-**	**(42.3)**
Transactions with owners						
Share-based payment	-	-	-	-	4.1	4.1
Warrant program expired	-	13.3	-	-	(13.3)	-
Total transactions with owners	**-**	**13.3**	**-**	**-**	**(9.2)**	**4.1**
Equity as of March 31, 2013	**260.9**	**662.5**	**(15.0)**	**(0.3)**	**53.4**	**961.5**

1. Accounting policies

The interim report is prepared in accordance with IAS 34, Presentation of interim reports, as adopted by EU and the additional Danish requirements for submission of interim reports for companies listed on NASDAQ OMX Copenhagen.

The interim report is presented in Danish Kroner (DKK), which is considered the prime currency of the Group's activities and the functional currency of the parent company.

The accounting policies used in the interim report are consistent with those used in the Annual Report 2013 and in accordance with the recognition and measurement policies in the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies. We refer to the Annual Report 2013 for further description of the accounting policies, including the definitions of financial ratios, calculated in accordance with "Anbefalinger og Nøgletal 2010" (Recommendations and Financial ratios 2010).

2. Significant accounting estimates, assumptions and uncertainties

In the preparation of the interim report according to generally accepted accounting principles, Management is required to make certain estimates as many financial statement items cannot be reliably measured, but must be estimated. Such estimates comprise judgments made on the basis of the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events.

Similarly, the value of assets and liabilities often depends on future events that are somewhat uncertain. In that connection, it is necessary to set out e.g. a course of events that reflects Management's assessment of the most probable course of events.

Further to significant accounting estimates, assumptions and uncertainties which are stated in the Annual Report 2013, the Management has not performed significant estimates and judgments regarding recognition and measurement.

3. Segment reporting

The Group consists of two primary business areas: Cancer Immunotherapy and Infectious Diseases and a Holding (not reportable segment). Holding covers costs of group management, investor relations, group finance, IT and legal. A large part of these costs are covered by the two operating segments through internal allocations.

Segment results reflect the results reported to the Company's chief operating management for the purposes of allocating resources and assessing segment performance.

Financials are not allocated to operating segments. Therefore, the "Income before interest and tax" is presented as target in segment reporting. Similar the balance sheet is not divided into operating segments, therefore total assets per operating segment do not appear. Investments in non-current assets are broken down by operating segments and disclosed in the note below.

The accounting policies applied for segment information are the same as the Group's accounting policies.

Period 1/1 - 31/1 2014 (un-audited)

DKK million	Cancer Immuno-therapy	Infectious Diseases	Holding	Total
IMVAMUNE sale	-	254.1	-	254.1
Contract work	-	31.8	-	31.8
Revenue	**-**	**285.9**	**-**	**285.9**
Depreciation, amortization and impairment losses	0.9	8.9	1.3	11.1
Income before interest and tax	**(78.9)**	**101.0**	**(18.7)**	**3.4**
Purchase/sale () of internal services	-	-	-	-
Distribution of the holding costs	2.3	11.9	(14.2)	-
Income before interest and tax after allocations	**(81.2)**	**89.1**	**(4.5)**	**3.4**
Investments	3.8	30.2	0.1	34.1

Period 1/1 - 31/3 2013 (un-audited)

DKK million	Cancer Immuno-therapy	Infectious Diseases	Holding	Total
IMVAMUNE sale	-	165.8	-	165.8
Contract work	-	39.9	-	39.9
Revenue	**-**	**205.7**	**-**	**205.7**
Depreciation, amortization and impairment losses	1.2	8.9	1.1	11.2
Income before interest and tax	**(64.3)**	**38.4**	**(21.7)**	**(47.6)**
Purchase/sale () of internal services	0.8	(0.8)	-	-
Distribution of the holding costs	3.4	11.7	(15.1)	-
Income before interest and tax after allocations	**(68.5)**	**27.5**	**(6.6)**	**(47.6)**
Investments	-	12.2	0.3	12.5

DKK million	1/1 - 31/3 2014	1/1 - 31/3 2013	1/1-31/12 2013
	un-audited	*un-audited*	*audited*
4. Revenue			
IMVAMUNE sale	254.1	165.8	839.1
IMVAMUNE sale, development results	-	-	173.0
Contract work	31.8	39.9	200.4
Sale of services	31.8	39.9	373.4
Revenue	**285.9**	**205.7**	**1,212.5**
5. Production costs			
Cost of goods sold, IMVAMUNE sale	129.5	72.3	328.1
Contract costs	14.7	26.3	105.2
Other production costs	0.2	32.6	51.4
Production costs	**144.4**	**131.2**	**484.7**
6. Research and development costs			
Research and development costs occured in the period	110.4	110.0	556.1
Of which:			
Contract costs recognized as production costs	(14.7)	(26.3)	(105.2)
Capitalized development costs	(18.1)	(10.2)	(102.3)
	77.6	73.5	348.6
Expensing (amortization) of prior-year costs attributable to the IMVAMUNE development project	11.7	-	148.0
Research and development costs	**89.3**	**73.5**	**496.6**

DKK million	31/3 2014	31/3 2013	31/12 2013
	un-audited	*un-audited*	*audited*
7. Inventories			
Raw materials and supply materials	12.5	23.9	14.9
Work in progress	234.9	200.8	237.3
Manufactured goods and commodities	22.4	18.2	50.0
Write-down on inventory	(65.2)	(58.3)	(68.5)
Inventories	**204.6**	**184.6**	**233.7**
Write-down on inventory 1 January	(68.5)	(31.5)	(31.5)
Write-down during the period	(7.9)	(35.9)	(53.9)
Use of write-down	-	2.5	2.5
Reversal of write-down	11.2	6.6	14.4
Write-down end of period	**(65.2)**	**(58.3)**	**(68.5)**

DKK million	31/3 2014	31/3 2013	31/12 2013
	un-audited	*un-audited*	*audited*
8. Other receivables			
Receivable VAT and duties	3.5	4.2	8.6
Accrued interest	1.8	2.3	2.9
Other receivables	0.6	2.0	1.1
Other receivables	**5.9**	**8.5**	**12.6**
9. Other liabilities			
Financial instruments at fair value	0.6	11.8	0.7
Liability relating to phantom shares	3.9	1.1	2.7
Payable salaries, holiday accrual etc.	52.6	46.3	58.4
Other accrued costs	67.2	36.3	52.2
Other liabilities	**124.3**	**95.5**	**114.0**

10. Financial instruments

Method and assumption to determine fair value
The Group has financial instruments measured at fair value at level 1 and level 2.

Securities (level 1)
The portfolio of publicly traded government bonds and publicly traded mortgage bonds is valued at listed prices and price quotas.

Derivative financial instruments (level 2)
Forward currency contracts and interest rate swaps are valued according to generally accepted valuation methods based on relevant observable swap curves and exchange rates.

Fair value hierarchy for financial instruments measured at fair value

As of March 31, 2014 (un-audited)

DKK million	Level 1	Level 2	Total
Securities	187.7	-	187.7
Financial assets measured at fair value in the income statement	**187.7**	**-**	**187.7**
Derivative financial instruments at fair value in the income statement (held for trading, currency)	-	(0.6)	(0.6)
Financial liabilities measured at fair value in the income statement	**-**	**(0.6)**	**(0.6)**

As of December 31, 2013 (audited)

DKK million	Level 1	Level 2	Total
Securities	185.3	-	185.3
Financial assets measured at fair value in the income statement	**185.3**	**-**	**185.3**
Derivative financial instruments at fair value in the income statement (held for trading, currency)	-	(0.7)	(0.7)
Financial liabilities measured at fair value in the income statement	**-**	**(0.7)**	**(0.7)**

11. Related party transactions

The nature and extent of transactions with related parties remain unchanged from last year. Reference is made to the description in the Annual Report 2013.

12. Incentive plans

Outstanding warrants as of 31 March 2014

	Out-standing as of 1 January	Addition during the period	Options exercised	Annulled	Terminated	Trans-ferred	Out-standing as of 31 March
Board of Directors	142.749	-	-	-	-	-	142.749
CEO & President	169.049	-	-	-	-	-	169.049
Group Management	328.572	-	-	-	-	-	328.572
Other employees	1.290.927	-	-	(30.614)	-	(10.025)	1.250.288
Retired employees	341.620	-	-	-	-	10.025	351.645
Total	**2.272.917**	**-**	**-**	**(30.614)**	**-**	**-**	**2.242.303**
Weighted average exercise price	**99**	**-**	**-**	**106**	**-**	**-**	**99**
Numbers of warrants which can be exercised as of 31 March 2014							768.803
at an weighted average exercise price of DKK							165

The total recognized cost of the warrant programs was DKK 1.2 million in the first quarter of 2014 (DKK 4.1 million).

Specification of parameters for Black-Scholes model

DKK	Dec 2009	Maj 2010	Aug 2010	Dec 2010	Aug 2011	Maj 2012	Aug 2012	Feb 2013	Aug 2013	Dec 2013
Average share price	149,00	212,50	223,00	238,00	50,00	43,30	52,00	45,50	68,00	82,00
Average exercise price at grant	184,00	291,00	259,00	261,00	54,10	54,00	59,10	55,00	73,90	96,50
Average exercise price after rights issue [1]	114,00	216,00	192,00	194,00	-	-	-	-	-	-
Expected volatility rate	50,9%	62,7%	57,2%	49,5%	73,4%	52,5%	50,0%	28,3%	36,4%	35,4%
Expected life (years)	3,0	3,0	3,0	3,0	3,3	3,3	3,3	3,1	3,3	3,3
Expected dividend per share	-	-	-	-	-	-	-	-	-	-
Risk-free interest rate p.a.	2,10%	2,00%	0,77%	1,63%	1,08%	0,31%	-0,09%	0,22%	0,78%	0,74%
Fair value at grant [2]	48	72	76	78	24	13	16	6	16	17
Fair value after rights issue [3]	25	17	21	23	-	-	-	-	-	-

The expected volatility is based on the historical volatility (over 12 months).

[1] Determined at date of rights issue 27 May 2011

[2] Fair value of each warrant at grant applying the Black-Scholes model

[3] Fair value of each warrant at date of rights issue 27 May 2011 applying the Black-Scholes model