



Interim Report

Q2 and YTD 2014

targovax

Interim report to shareholders of Targovax AS – Second Quarter and YTD 2014

THE COMPANY IN BRIEF

Targovax AS is a Norwegian company founded in 2010 by world pioneers in cancer immunotherapy, based on a substantial body of data from non-clinical and clinical research. Targovax AS develops active immunotherapy in the form of cancer specific therapeutic vaccines. The vaccines stimulate the patients' immune system to recognize and kill cancer cells having mutations in the RAS genes. There is a large unmet need for treatment of cancers with RAS mutations. The lead product TG01 is under clinical development for the treatment of resected pancreatic cancer.

HIGHLIGHTS FOR THE SECOND QUARTER AND YTD 2014

Targovax successfully completed phase I of the clinical trial CT TG01-01; "A Phase I/II Trial of TG01 and Gemcitabine as Adjuvant Therapy for Treating Patients with Resected Adenocarcinoma of the Pancreas". TG01 was proven to be safe and well tolerated and immune responses were observed in six of six patients. The phase I results were presented at the Cancer Immunotherapy (CIMT) Annual Meeting in Mainz, in May 2014.

The phase I patients continued in phase II of the CT TG01-01 trial and by end of Q2, the enrollment of patients in phase II of the CT TG01-01 clinical trial is progressing according to plan.

Production of pipeline product TG02 for preclinical and clinical development was initiated.

Targovax successfully completed a capital increase securing NOK 70 million. The share issue was significantly oversubscribed. Datum and partners were the largest group of new owners.

Targovax was listed on the OTC list (NOTC) from June 16, with ticker TRVX.

KEY FIGURES

| NOK 1000 | Q2 2014 | Q2 2013 | YTD 2014 | YTD 2013 | 2013 |
|--|---------------|--------------|---------------|---------------|---------------|
| Total operating revenues | 706 | 534 | 1 147 | 1 535 | 4 701 |
| Net expenses | -3 051 | -1 354 | -6 065 | -4 687 | -11 831 |
| Operating profit/loss | -2 345 | -820 | -4 918 | -3 152 | -7 130 |
| Financial items, net | -4 | -1 | -11 | -18 | -15 |
| NET PROFIT/LOSS | -2 350 | -821 | -4 929 | -3 170 | -7 144 |
| Basic and diluted earnings (loss) per share | -0,30 | -0,17 | -0,70 | -0,75 | -1,52 |
| Number of employees | 4 | 4 | 4 | 4 | 4 |
| Net change in bank deposits, cash and equivalents | 65 110 | -83 | 63 871 | -411 | 5 057 |
| Bank deposits, cash and equivalents at the beginning of period | 7 132 | 2 985 | 8 370 | 3 313 | 3 313 |
| BANK DEPOSITS, CASH AND EQUIVALENTS AT END OF PERIOD | 72 241 | 2 902 | 72 241 | 2 902 | 8 370 |

OPERATIONAL REVIEW

The lead product TG01 is under development for the treatment of resected (operated) pancreatic cancer. Pancreatic cancer affects 116 000 patients per year in the EU and USA, of whom 16-20 000 are resectable (2011 figures, www.globocan.iarc.fr). Approximately 90% of pancreatic cancers have RAS mutations (Prior et al, 2012). Targovax has obtained Orphan Drug Designation for TG01 for the treatment of pancreatic cancer in the EU and USA.

Phase II of the clinical trial CT TG01-01 is ongoing in internationally renowned clinical centers: Oslo University Hospital, the Norwegian Radium Hospital (Oslo, Norway), The Christie Hospital, (Manchester, UK) and Clatterbridge Cancer Centre, Liverpool University, in (Liverpool, UK). The trial is an open, single-arm trial planned to enroll 18 patients. The primary objectives of the trial are safety and immune response to TG01 vaccination, while the secondary objective is survival at two years. At the end of Q2, the enrollment of patients in phase II of CT TG01-01 trial is progressing as planned. Enrollment is expected to be completed by the end of 2014.

For the pipeline product TG02, the planning of pre-clinical and phase I clinical development is ongoing. Production of TG02 has been initiated, and material for preclinical testing is ready.

FINANCIAL REVIEW

Figures in brackets are from the comparable period in 2013.

Results 2nd Quarter and YTD 2014

Revenues amounted NOK 706 000 (NOK 534 000) in the second quarter and NOK 1 147 000 (NOK 1 535 000) in the first half-year 2014. The revenues are mainly governmental grants received by Targovax to support its product development projects.

Operating expenses amounted to NOK 3 051 000 (NOK 1 354 000) in the second quarter and NOK 6 065 000 (NOK 4 687 000) in the first half-year 2014. The increase in other operating costs reflects increased product development activities.

Net financial items amounted to minus NOK 4 000 (minus NOK 1 000) in the second quarter and minus NOK 11 000 (minus NOK 18 000) in the first half-year 2014.

The net loss for the period amounted to NOK 2 350 000 (NOK 821 000) in the second quarter and NOK 4 929 000 (NOK 3 170 000) in the first half-year 2014.

Financial position and cash flow

Targovax completed a share issue in June 2014, which contributed NOK 70 million to equity and cash. The net loss in the second quarter and first half-year 2014 reduced the equity by NOK 2 350 000 and NOK 4 929 000, respectively. Expenses relating to the share issue in the amount of NOK 4 604 000 in the second quarter 2014 were charged directly to equity.

Shareholders' equity was NOK 73 168 000 (NOK 4 175 000) and the bank deposits, cash and equivalents amounted to NOK 72 241 000 (NOK 2 902 000) at the end of Q2 2014. The equity ratio and cash ratio were 95% and 94%, respectively.

RISK FACTORS AND FORWARD LOOKING STATEMENTS

This report contains certain forward-looking statements based on uncertainty, since they relate to events and depend on circumstances that will occur in future and which, by their nature, will have an impact on the results of operations and the financial condition of Targovax. Such forward-looking statements reflect the current views of Targovax and are based on the information currently available to the company. Targovax cannot give any assurance as to the correctness of such statements. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied in these forward-looking statements. These factors include, among other things, risks or uncertainties associated with the success of future clinical trials; risks relating to personal injury or death in connection with clinical trials or following commercialization of the company's products, and liability in connection therewith; risks relating to the company's freedom to operate (competitors patents) in respect of the products it develops; risks of non-approval of patents not yet granted and the company's ability to adequately protect its intellectual property and know-how; risks relating to obtaining regulatory approval and other regulatory risks relating to the development and future commercialization of the company's products; risks that research and development will not yield new products that achieve commercial success; risks relating to the company's ability to successfully commercialize and gain market acceptance for Targovax's products; risks relating to the future development of the pricing environment and/or regulations for pharmaceutical products; risks relating to the company's ability to secure additional financing in the future, which may not be available on favorable terms or at all; risks relating to currency fluctuations; risks associated with technological development, growth management, general economic and business conditions; risks relating to the company's ability to retain key personnel; and risks relating to the impact of competition.

OUTLOOK

Targovax's focus in the next 12 months will be on continued development of its lead product TG01 and other products in the pipeline:

- › Complete enrollment of 18 patients for the clinical trial CT TG01-01 by the end of 2014.
- › Produce TG02 for clinical phase I development
- › Establish pre-clinical documentation to support a Clinical Trial Application for phase I development of TG02
- › Develop the clinical trial design of a randomized phase II clinical trial with TG01 in resected pancreatic cancer.

Targovax will continue to strengthen its organization and infrastructure to meet its objectives.

STATEMENT OF PROFIT AND LOSS, UNAUDITED

| NOK 1000 | Q2 2014 | Q2 2013 | YTD 2014 | YTD 2013 | 2013 |
|---|---------------|---------------|---------------|---------------|----------------|
| OPERATING REVENUES | | | | | |
| Grants | 691 | 530 | 1 095 | 1 503 | 4 337 |
| Other revenues | 15 | 4 | 52 | 33 | 364 |
| TOTAL OPERATING REVENUES | 706 | 534 | 1 147 | 1 535 | 4 701 |
| OPERATING EXPENSES | | | | | |
| Payroll expenses | -755 | -751 | -2 066 | -2 047 | -4 721 |
| Other operating expenses | -2 297 | -603 | -3 999 | -2 640 | -7 110 |
| TOTAL OPERATING EXPENSES | -3 051 | -1 354 | -6 065 | -4 687 | -11 831 |
| OPERATING PROFIT/LOSS | -2 345 | -820 | -4 918 | -3 152 | -7 130 |
| NET FINANCIAL ITEMS | -4 | -1 | -11 | -18 | -15 |
| PROFIT/LOSS FOR THE PERIOD | -2 350 | -821 | -4 929 | -3 170 | -7 144 |
| ALLOCATION OF PROFIT/LOSS FOR THE PERIOD | | | | | |
| Transferred to other equity | -2 350 | -821 | -4 929 | -3 170 | -7 144 |
| TOTAL ALLOCATIONS | -2 350 | -821 | -4 929 | -3 170 | -7 144 |

STATEMENT OF FINANCIAL POSITION, UNAUDITED

| NOK 1000 | 30.06.2014 | 30.06.2013 | 31.12.2013 |
|-------------------------------------|----------------|----------------|----------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Receivables | | | |
| Trade debtors | 19 | - | 189 |
| Other receivables | 4 500 | 4 025 | 5 637 |
| TOTAL RECEIVABLES | 4 519 | 4 025 | 5 826 |
| Bank deposits | 72 241 | 2 902 | 8 370 |
| TOTAL CURRENT ASSETS | 76 761 | 6 926 | 14 197 |
| TOTAL ASSETS | 76 761 | 6 926 | 14 197 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Paid-up equity | | | |
| Share capital | 943 | 470 | 470 |
| Share premium reserve | 102 396 | 20 368 | 20 368 |
| TOTAL PAID-UP EQUITY | 103 339 | 20 839 | 20 839 |
| Retained earnings | | | |
| Other equity | -30 170 | -16 663 | -20 637 |
| TOTAL RETAINED EARNINGS | -30 170 | -16 663 | -20 637 |
| TOTAL EQUITY | 73 168 | 4 175 | 201 |
| LIABILITIES | | | |
| Short-term liabilities | | | |
| Trade creditors | 1 711 | 251 | 2 657 |
| Unpaid public charges | 291 | 283 | 454 |
| Other short-term liabilities | 1 591 | 2 217 | 10 884 |
| Total short-term liabilities | 3 592 | 2 751 | 13 996 |
| TOTAL LIABILITIES | 3 592 | 2 751 | 13 996 |
| TOTAL EQUITY AND LIABILITIES | 76 761 | 6 926 | 14 197 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS, UNAUDITED

1. GENERAL INFORMATION

Targovax AS is a limited company, domiciled in Norway. Its headquarters are situated in Vollsveien 6, 1366 Lysaker.

The figures in this second quarter report 2014 are non-audited figures.

The financial statements were approved for issue by the Board of Directors on 26 August 2014.

2. BASIS FOR PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

The accounting principles for this interim report are based on the Norwegian Accounting Act and the Norwegian accounting standard for small businesses (NRS 8).

There are no changes in principles described in the annual report issued for 2013.

3. CHANGE IN BANK DEPOSITS, CASH AND EQUIVALENTS

| NOK 1000 | Q2 2014 | Q2 2013 | YTD 2014 | YTD2 013 | 2013 |
|---|---------------|---------------|---------------|---------------|---------------|
| Loss for the period | -2 350 | -821 | -4 929 | -3 170 | -7 144 |
| Adjustmentes for net financials | 4 | 1 | 11 | 18 | 15 |
| Adjustments for change in working capital | 2 063 | -1 062 | 904 | -2 542 | -1 289 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | -282 | -1 882 | -4 014 | -5 694 | -8 418 |
| Net financials and share issue expenses | -4 608 | -1 | -4 615 | -18 | -15 |
| Proceeds from debt | - | 1 800 | -10 000 | -2 200 | 5 990 |
| Proceeds from equity issue | 70 000 | - | 82 500 | 7 500 | 7 500 |
| NET CASH FLOW FINANCING ACTIVITIES | 65 392 | 1 799 | 67 885 | 5 282 | 13 475 |
| Net change in bank deposits, cash and equivalents | 65 110 | -83 | 63 871 | -411 | 5 057 |
| Bank deposits, cash and equivalents at beginning of period | 7 132 | 2 985 | 8 370 | 3 313 | 3 313 |
| BANK DEPOSITS, CASH AND EQUIVALENTS AT END OF PERIOD | 72 241 | 2 902 | 72 241 | 2 902 | 8 370 |

4. CHANGE IN EQUITY

| NOK 1000 | Share Premium | | | Total |
|--------------------------|---------------|----------------|----------------|---------------|
| | Share capital | Reserve | Other equity | |
| Equity 01.01.2013 | 370 | 12 968 | -13 493 | -155 |
| Share issue | 100 | 7 400 | 0 | 7 500 |
| Profit/loss Q1 2013 | 0 | 0 | -2 348 | -2 348 |
| Equity 31.03.2013 | 470 | 20 368 | -15 842 | 4 997 |
| Profit/loss Q2 2013 | | | -821 | -821 |
| EQUITY 30.06.2013 | 470 | 20 368 | -16 663 | 4 175 |
| Equity 01.01.2014 | 470 | 20 368 | -20 637 | 201 |
| Share issue | 147 | 12 353 | 0 | 12 500 |
| Profit/loss Q1 2014 | 0 | 0 | -2 580 | -2 580 |
| Equity 31.03.2014 | 617 | 32 721 | -23 217 | 10 121 |
| Share issue *) | 326 | 69 674 | -4 640 | 65 396 |
| Profit/loss Q2 2014 | | | -2 350 | -2 350 |
| EQUITY 30.06.2014 | 943 | 102 396 | -30 170 | 73 168 |

*) Share issue expenses charged directly to other equity.

5. NUMBER OF SHARES AND SHARE OPTIONS

| | 2014 | 2013 |
|-----------------------------------|------------------|------------------|
| Ordinary shares at 1 January | 4 703 000 | 3 703 000 |
| Issue of ordinary shares Q1 | 1 470 569 | 1 000 000 |
| Issue of ordinary shares Q2 | 3 255 835 | - |
| ORDINARY SHARES AT 30 JUNE | 9 429 404 | 4 703 000 |

The nominal value of the shares is NOK 0.10.
All share carry equal voting rights.

SHARE OPTIONS:

100.000 share options have been issued to key employers with an exercise price NOK 7.50.

The shareoptions can be exercised as follows:

- 34.000 between 5 November 2013 and 5 November 2017
- 33.500 between 5 November 2014 and 5 November 2017
- 32.500 between 5 November 2015 and 5 November 2017

6. EARNINGS PER SHARE

| | Q2 2014 | Q2 2013 | YTD 2014 | YTD 2013 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|
| Loss for the period (NOK 1000) | -2 350 | -821 | -4 929 | -3 170 | -7 144 |
| Average number of outstanding shares during the period | 7 801 487 | 4 703 000 | 7 066 202 | 4 203 000 | 4 703 000 |
| EARNING(LOSS) PER SHARE - BASIC AND FULLY DILUTED | -0,30 | -0,17 | -0,70 | -0,75 | -1,52 |

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognized as the company is currently loss-making. Hence an increase of number of shares would decrease loss per share (anti-dilutive effect).

7. SHAREHOLDER INFORMATION

| Shareholders per June 30 2014 | Shares | Owner share |
|---|------------------|--------------|
| RADIUMHOSPITALET FORSKNINGSTIFTELSE | 3 410 589 | 36,2 % |
| DATUM AS | 1 162 000 | 12,3 % |
| TIMMUNO AS | 724 650 | 7,7 % |
| PRIETA AS | 720 000 | 7,6 % |
| ALGOT INVEST AS | 460 785 | 4,9 % |
| BIRK VENTURE AS | 438 657 | 4,7 % |
| TRYGVE SCHIØRBECKS E | 286 449 | 3,0 % |
| ARCTIC FUNDS PLC BNY MELLON SA/NV | 182 000 | 1,9 % |
| PORTIA AS | 180 000 | 1,9 % |
| OP-EUROPE EQUITY FUN C/O CITIBANK NA | 157 869 | 1,7 % |
| 68 Other shareholders, each representing an ownership of less than 1.6% | 1 706 405 | 18,1 % |
| TOTAL: 78 SHAREHOLDERS | 9 429 404 | 100 % |

| Key persons with shares and share options in the company: | | | Shares | Share option |
|---|--------------------------|----------------------------------|---------|--------------|
| Hans Ivar Robinson | Board member | Indirect through Birk Invest AS | 438 657 | - |
| Tom A. Thorsen | Board member | Indirect through Algot Invest AS | 460 785 | - |
| Hanne M. D. Kristensen | CEO | Direct ownership | 10 160 | 50 000 |
| Jon Amund Eriksen | COO | Indirect through Timmuno AS | 724 650 | - |
| Berit Iversen | Vice President | Direct ownership | 3 254 | 25 000 |
| Gustav Gaudernack | Chief Scientific Advisor | Indirect through Algot Prieta AS | 720 000 | - |

INFORMATION

Targovax AS

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