

A close-up, low-angle photograph of laboratory glassware. In the foreground, a graduated cylinder is partially filled with a bright red liquid. Behind it, another graduated cylinder contains a yellowish-orange liquid. The background is blurred, showing more glassware and a blue-tinted environment, suggesting a laboratory setting.

Interim report

Q2 and 1H 2015

targovax

## Interim Report second quarter and first half year 2015

*Targovax is a clinical stage immuno-oncology company dedicated to the development of targeted immunotherapy treatments for cancer patients. The company is a result of the merger of Norwegian Targovax and Finnish Oncos Therapeutics.*

*Targovax is targeting complementary approaches to cancer immunotherapy: a cancer vaccine platform developed for patients with RAS-mutated cancers and an immunotherapy platform based on engineered oncolytic viruses armed with potent immune-stimulating transgenes for patients with solid tumors. Both treatment approaches harness the patient's own immune system to fight the cancer.*

### Highlights

- Targovax entered into an agreement with the shareholders of Oncos Therapeutics Oy to acquire the shares of Oncos creating a Nordic leader within immuno-oncology
- Targovax announced a successful private placement of NOK 200 million. The amount was raised from NOK 125-150 million thanks to substantial investor interest. The new issue was completed after the end of Q2.
- Targovax presented interim data from the ongoing phase I/II clinical study of TG01 at the annual meeting of American Society of Clinical Oncology (ASCO 2015) indicating that about 80% or more of the patients mount an immune response to the therapeutic cancer vaccine
- A new board of directors was elected at the extraordinary general meeting in late June: Jonas Einarsson (chair), Bente-Lill Romøren, Lars Lund-Roland, Per Samuelsson, Robert Burns and Johan Christenson
- Appointment of Øystein Soug as CFO and Peter Skorpil as Head of Business Development

### Key figures\*

KEY FIGURES					
NOK 1,000	Q2 2015	Q2 2014	1H 2015	1H 2014	FY2014
Total operating revenues		15		52	72
Total operating expenses	-12,800	-2,597	-19,520	-5,247	-17,642
<b>Operating profit/loss</b>	<b>-12,800</b>	<b>-2,582</b>	<b>-19,520</b>	<b>-5,195</b>	<b>-17,570</b>
Net financial items	0.044	-0.042	0.012	-0.086	-0.077
<b>Net profit/loss</b>	<b>-12,756</b>	<b>-2,624</b>	<b>-19,507</b>	<b>-5,281</b>	<b>-17,646</b>
Basic and diluted EPS (NOK/share)	-1.35	-0.34	-2.07	-0.75	-2.50
Net change in cash	-9,726	65,110	-18,087	63,871	54,182
Cash and cash equivalents start of period	54,191	7,132	62,552	8,370	8,370
<b>Cash and cash equivalents end of period</b>	<b>44,465</b>	<b>72,241</b>	<b>44,465</b>	<b>72,241</b>	<b>62,552</b>

\* Figures include Targovax pre Oncos-combination only

## Operational Review

### The Targovax Oncos combination

During the second quarter, Norwegian Targovax and Finnish Oncos entered into negotiations to join forces, with Targovax acquiring all the shares of Oncos with settlement in Targovax shares. The transaction closed on 2 July. Following the transaction, former Oncos shareholders own 50 per cent of shares outstanding in Targovax.

The combined company - with multiple assets in research and development – is a newly created leader within vaccine-based immuno-oncology. The Nordic company is led by a strong senior management team and is financially backed by reputable institutional

investors with sector specialist HealthCap as the largest shareholder.

The combination created a Nordic vaccine immuno-oncology champion:

- With unique technologies with promising data
- With several future value inflection points
- Led by an experienced management team
- Backed by leading life science focused investors

### Pipeline status/development

	Indication(s)	Program	Discovery	Pre-clinical	Phase I	Phase II	Phase III
Development	Pancreatic cancer*	TG01					
	Melanoma	ONCOS-102					
	Mesothelioma*	ONCOS-102					
	Colorectal and NSCLC	TG02					
Exploratory	Ovarian cancer*	ONCOS-102					
	Prostate cancer	ONCOS-102					
	Melanoma	TG03					
Discovery	Discovery	ONCOS-402 ONCOS-802 ONCOS-902					

Following the combination with Oncos, Targovax holds a broad and diversified pipeline of several promising compounds targeting multiple indications. TG01 for resected pancreas cancers is the most advanced program, currently in Phase II development.

Indications planned for development also include ONCOS-102 in melanoma and mesothelioma, and TG02 colorectal cancer.

In addition, the company plans exploratory studies in ovarian and prostate cancer and has a range of compounds in the discovery phase.

#### TG01 Pancreas Cancer

TG01 is a peptide based therapeutic anticancer vaccine targeting the difficult to treat RAS mutations found in more than 85% of pancreatic cancers and 20 - 30% of all cancers. Initially being tested in pancreatic cancer, Targovax aim to induce immune responses in cancer patients with RAS mutations and believe that TG01 will prolong time to cancer progression, increase survival and improve safety and tolerability compared to chemotherapy and other immunotherapies.

TG01 is used together with the immune stimulator granulocyte macrophage-colony

stimulating factor (GM-CSF). It is currently being investigated in combination with gemcitabine (chemotherapy) in a phase II clinical study for the adjuvant treatment of patients with resected (operable) pancreatic cancer.

As of 30 June 2015, recruitment is complete with 19 patients who have received TG01/GM-CSF treatment, of which 18 had received both TG01/GM-CSF and gemcitabine treatment. The regimen was generally well tolerated, with events related to TG01 being those expected (local reactions and flu-like symptoms) for a peptide vaccine. Grade 3/4 reactions were primarily related to gemcitabine. There were four related allergic reactions to vaccination, three of which occurred only after gemcitabine treatment, of which two were severe. Of the 17 patients eligible for immune response assessment at the date of analysis, 14 (82%) had established a detectable immune response. 12 months survival results are expected in H1 2016.

In the first quarter 2015 Targovax decided to expand the study with a new group of up to 13 patients in order to optimize the vaccine regimen. The study centers are open for recruitment

#### *ONCOS-102 in mesothelioma*

This study is a randomised phase II open label study with a Phase Ib safety lead in of ONCOS-102 and pemetrexed/cisplatin in patients with unresectable malignant pleural mesothelioma.

The study is planned to include approximately 30 patients at six sites in UK, Holland and Spain and will commence in 1H 2016.

#### *ONCOS-102 in melanoma*

This study is an explorative open-label study to determine anti-tumor immune activation and clinical response of ONCOS-102 given with pembrolizumab, a human programmed death receptor-1 (PD-1)-blocking antibody, in patients with advanced melanoma not responding to prior treatment with pembrolizumab.

The study is planned to include approximately 12 patients at one site in the US and will commence in 2H 2016.

#### *TG02 Colorectal cancer*

This is an open label study to determine anti-tumor immune activation, safety and clinical response of TG02 in patients with colorectal cancer with progressive disease waiting for pelvic mass resection. Immune activation will be measured through skin DTH-test, PBCM (cancer antigen specific T-cells) and resected tumor material (cytotoxic T-cells).

The study is planned to include 20 patients at 2-4 sites (EU and potentially Australia) and will be initiated 2H 2016.

#### *IPR / Market protection*

Targovax owns a patent portfolio protecting its pipeline, with patents and patent applications from different patent families covering its products and peptides.

Orphan Drug status is granted for TG01 within pancreatic cancer in EU and USA, ensuring 10 and 7 years of market protection from the date of market approval. The company also has Orphan Drug status for ONCOS-102 within mesothelioma and ovarian cancer.

#### *Expanded management team*

In the second quarter, Targovax expanded its management team, adding Øystein Soug as CFO and Peter Skorpil as Head of Business Development to the team.

Following the merger with Oncos, Dr. Magnus Jäderberg and Antti Vuolanto entered positions as CMO and Executive Vice President with responsibility for the site in Finland. Further, Tina Madsen was appointed VP Quality Assurance and Nikolaj Knudtzon was appointed Head of HR.

Øystein Soug previously worked for Algeta, where he built up the functions of Finance, IR, Compliance, IT and HR. He further oversaw Algeta's launch of Xofigo, executed capital raisings of some USD 200 million and the subsequent USD 2.9 billion sale of Algeta to

Bayer. Mr Soug also has experience from the Orkla Group, including positions as CFO of Orkla's Russian operations Sladco and Project Manager in Orkla's Corporate Development M&A team.

Peter Skorpil has extensive experience within licensing, commercial assessments, business intelligence and partnering. Previously, he was Commercial Director in Pronova BioPharma and Business Development Manager for Clavis Pharma.

Magnus Jäderberg has more than 25 of experience from various R&D functions and previously CMO at Bristol Meyers Squibb Europe. He has experience from all phases of clinical research, including clinical pharmacology, dose finding, registration, post launch product differentiation and surveillance.

Antti Vuolanta has more than ten years of experience from biotechnology business development, product development and commercialization. Prior to Oncos, he was a management team member at Mobidiag, responsible for product commercialization, product development and quality. He was also project manager at Medice, developing bioinformatics infrastructure.

Tina Madsen has more than 20 years of experience within Research & Development and commercial manufacturing in the pharmaceutical and biotech industry, including quality assurance, process development and formulation. Before joining Targovax, she was Director of Product Quality Assurance in Algeta ASA.

Nikolaj Knudtzon has more than 15 years of experience from development and implementation of strategic HR. He is currently working a consultant with Targovax, and has previously held senior HR roles in Nycomed and Takeda.

Including CEO Gunnar Gårdemyr and COO Jon Amund Eriksen, Targovax now has a highly

qualified management team, well prepared to develop the company further.

Frans Wuite, former CEO of Oncos has decided to step down and will be released from his duties in Targovax from 30 November 2015. We would like to take this opportunity to thank Frans for his contribution to build Oncos into a leader in cancer immunotherapy, up and until the merger with Targovax.

### Experienced Board of Directors

After the merger and the private placement, the shareholder base was expanded, and now includes a broad range of leading science investors. This also reflects the composition of the Board of Directors, including highly skilled professionals with a broad range of relevant competence

The new board consist of Jonas Einarsson (chair), Bente-Lill Romøren, Lars Lund-Roland, Per Samuelsson, Robert Burns and Johan Christenson.

## Shareholder information

Following recent transactions, there are currently 26,858,808 shares outstanding, distributed to 169 shareholders, with the 20 largest shareholders holding some 84 percent of the shares.

Shareholder	# shares	%
Healthcap	8,488,918	31.6%
Radiumhospitalets Forskningsstiftelse	3,410,589	12.7%
Trojan AS	2,462,000	9.2%
Arctic Funds Plc	907,000	3.4%
Timmuno AS	724,650	2.7%
Prieta AS	720,000	2.7%
Portia AS	600,000	2.2%
Danske Bank A/S (Nominee)	586,971	2.2%
Nordnet Bank AB (Nominee)	566,322	2.1%
KLP Aksje Norge	460,000	1.7%
Eltek Holding AS	442,000	1.6%
Statoil Pensjon	436,000	1.6%
Storebrand Vekst	420,000	1.6%
Birk Venture AS	412,567	1.5%
Pactum AS	400,000	1.5%
OP-Europe	357,869	1.3%
UBS AG (Nominee)	325,000	1.2%
Trygve E. Schiørbecks	286,449	1.1%
Viola AS	280,000	1.0%
Kommunal Landspensjonskasse	270,000	1.0%
<b>SUM 20 LARGEST SHAREHOLDERS</b>	<b>22,556,335</b>	<b>83.9%</b>
Other shareholders (149)	4,312,473	16.1%
<b>TOTAL</b>	<b>26,858,808</b>	<b>100.0%</b>

## Events after the balance sheet date

On 2 July Norwegian Targovax AS and Finnish Oncos Oy underwent a combination were Targovax acquired all the shares of Oncos. Settlement was made in the form of Targovax shares. The Transaction closed on 2 July.

On 9 July, Targovax announced the completion of the NOK 200 million private placement. The net proceeds of the transaction were NOK 190.8 million. As part of the funding of the Oncos-acquisition, Targovax issued 8,000,000 new shares. Following the capital increase, the share capital of Targovax is NOK 1,885,882.80 divided into 18,858,808 shares, each with a nominal value of NOK 0.10.



## Financial Review

Targovax underwent the combination with Oncos on 2 July 2015 and the figures in this report relate to pre-combination Targovax only. Figures in parenthesis are from the comparable period in 2014.

### Results second quarter 2015

As in the second quarter of 2014, Targovax had no revenues in the second quarter of 2015. Operating expenses amounted to NOK 12.8 million (2.6) in the quarter. The operating expenses are reported net of governmental grants, which amounted to NOK 4.5 million in the period (1.3). The higher operating costs reflects increased clinical trial activities and expenses related to planning and preparing for the combination with Oncos.

The net loss for the period amounted to NOK 12.8 million (2.6) in the second quarter 2015.

### Results first half year 2015

Revenues were NOK 0.0 million (0.1) in the first half year of 2015. Operating expenses amounted to NOK 19.5 million (5.2) during the period. The operating expenses are presented net of governmental grants. The governmental grants during the first half year of 2015

amounted to NOK 6.5 million (2.2). The increase in other operating costs reflects increased clinical trial activities.

The net loss for the period amounted to NOK 19.5 million (5.3).

### Cash flow

Targovax generated a negative total cash flow of NOK 9.7 million in the quarter.

The main reason for the negative cash flow relates to operating activities, which amount to NOK 9.8 million in the period.

For the first half year 2015, total cash flow was negative by NOK 18.1 million whereof negative cash flow from operating activities amounted to NOK 18.4 million.

### Financial position

As of 30 June 2015, cash and cash equivalents amounted to NOK 44.5 million (72.2).

On 18 June, Targovax announced a successful private placement of NOK 200 million issuing 8 million new shares. Net proceeds from the transaction were NOK 190.8 million.

The placement was completed on 9 July, and is not reflected in this report.

## Outlook

Targovax' focus during the next 12 months will be on continued development of TG01 in resected pancreatic cancer, in addition to starting studies with

- Oncos-102 in melanoma
- Oncos-102 in mesothelioma,
- Oncos-102 in ovarian cancer
- Oncos-102 in prostate cancer
- TG02 in colorectal cancer

During the second half of 2015, Targovax expects to finalize the selection of GM-CSF manufacturer.

Further, Targovax plans to give a presentation of the of ONCOS-102 immune marker data at the SITC 2015 conference in Washington in November.

To secure Targovax a front-line position in the immune oncology space, the company will prioritize efforts to improve company visibility

within the industry and the investor communities. During the second half of 2015, the company will attend several conferences and seminars, including the ESGCT Congress in Helsinki 17-20 September, the Sachs Annual Biotech in Europe Forum in Basel 2-30 September and BIO Europe in Munich 2-4 November.

In the first half of 2016, the company intends to publish the 12-months interim clinical results of CT TG01-01.

Targovax is continuously working to improve and strengthen its organization and infrastructure to meet its objectives. Access to capital is crucial to this development. A part of the company's strategy to expand its funding base is preparations for an initial public offering (IPO) and Targovax aims for a public listing at the Oslo Stock Exchange before the end of June 2016.

## Risks and uncertainty factors for the second half 2015

Targovax is subject to a number risk factors and uncertainties that may affect parts or all the activities in the company.

The company is still in an early phase, with one clinical study ongoing and several clinical studies planned to start in 2016. With the results from these studies yet to be revealed, the uncertainty related to the outcome of these may be regarded at the most important risk factor to the company.

Also, delays in the work with ongoing, or in the preparations of new clinical studies, are important risk factors. Targovax is currently in the preparation phase of drug substance production, and unforeseen incidents and delays, may have impact on the progress of in ongoing and planned clinical studies.

As many studies depend on both funding and technology from external partners for completion, uncertainties append to these partners willingness to carry the studies through.

Being in an early phase, Targovax cash flow is negative, and operation depend on continuous external funding. Consequently, access to capital is crucial, and significant changes to financial market condition, may affect the climate for seed and venture investments in general and Targovax IPO plans in particular.



## Statement by the Board of Directors

We declare that, to the best of our knowledge, the half-year financial statements for the period 1 January to 30 June 2015 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information contained therein provides a true and fair view of the Group's assets, liabilities, financial position and overall results.

We further declare that, to the best of our knowledge, the half-year report provides a true and fair view of important events that have taken place during the accounting period and their impact on the half-year financial statements, as well as the most important risks and uncertainties facing the business in the forthcoming accounting period.

Oslo, 27 August 2015

The Board of Directors and CEO of Targovax AS

*Jónas Einarsson*  
*Chairperson of the Board*

*Lars Lund-Roland*  
*Board member*

*Bente-Lill Romøren*  
*Board member*

*Per Samuelsson*  
*Board member*

*Johan Christenson*  
*Board member*

*Robert Burns*  
*Board member*

*Gunnar Gårdemyr*  
*CEO*

## First half report 2015

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## Condensed statement of profit or loss and other comprehensive income

All figures in thousand NOK					
	Note	Unaudited Q2 2015	Unaudited Q2 2014	Unaudited YTD 2015	Audited YTD 2014
Other revenues			15		52
<b>Total revenue</b>			<b>15</b>		<b>52</b>
Cost of manufacturing for R&D		-2,434	-178	-2,727	-888
Payroll and related expenses	3,6	-3,712	-679	-6,687	-1,728
Depreciation		-10		-18	
Other operating expenses	3	-6,644	-1,740	-10,088	-2,632
<b>Total operation expenses</b>		<b>-12,800</b>	<b>-2,597</b>	<b>-19,520</b>	<b>-5,247</b>
<b>Operation profit/ loss (-)</b>		<b>-12,800</b>	<b>-2,582</b>	<b>-19,520</b>	<b>-5,195</b>
Financial income		171	10	382	21
Financial expenses		-127	-53	-369	-107
<b>Net financial itms</b>		<b>44</b>	<b>-42</b>	<b>12</b>	<b>-86</b>
<b>Loss before income tax</b>		<b>-12,756</b>	<b>-2,624</b>	<b>-19,507</b>	<b>-5,281</b>
<b>Income tax</b>					
<b>Loss for the period</b>		<b>-12,756</b>	<b>-2,624</b>	<b>-19,507</b>	<b>-5,281</b>
<b>Other comprehensive income /loss (-), net of income tax</b>					
<b>Total comprehensive income/ loss (-) for the period</b>		<b>-12,756</b>	<b>-2,624</b>	<b>-19,507</b>	<b>-5,281</b>
Income/ loss (-) for the period attributable to owners		-12,756	-2,624	-19,507	-5,281
<b>Total comprehensive income/ loss (-) for the period attributable to owners</b>		<b>-12,756</b>	<b>-2,624</b>	<b>-19,507</b>	<b>-5,281</b>
<b>Earnings/ loss (-) per share</b>					
Basic and dilutive earnings/ loss (-) per share	5	-1.35	-0.34	-2.07	-0.75

## Condensed statement of financial position

		All figures in thousand NOK		
	Note	Unaudited 30.06.2015	Unaudited 30.06.2014	Audited 31.12.2014
Office furnitures		149		150
<b>Total non-current assets</b>		<b>149</b>		<b>150</b>
<b>Receivables</b>	3	8,918	4,519	<b>4,660</b>
<b>Cash and cash equivalents</b>		44,465	72,241	<b>62,552</b>
<b>Total current assets</b>		<b>53,384</b>	<b>76,761</b>	<b>67,213</b>
<b>TOTAL ASSETS</b>		<b>53,532</b>	<b>76,761</b>	<b>67,362</b>
<b>Shareholders equity</b>				
Share capital	4	943	943	943
Share premium reserve	4	97,792	97,792	97,792
Other reserves	4	2,237	713	780
Retained earnings	4	-58,349	-26,476	-38,841
<b>Total equity</b>		<b>42,623</b>	<b>72,972</b>	<b>60,673</b>
<b>Short-term liabilities</b>				
Trade creditors		3,588	1,711	2,564
Accrued public charges	6	1,218	488	781
Other short-term liabilities		6,103	1,591	3,344
<b>Total Liabilities</b>		<b>10,909</b>	<b>3,789</b>	<b>6,689</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>53,532</b>	<b>76,761</b>	<b>67,362</b>

## Condensed statement of changes in equity

						All figures in thousand NOK
	Note	Share capital	Share premium	Other reserves	Retained earnings (Accumulated losses)	Total equity
<b>Balance at</b>						
<b>1 January 2014</b>		<b>470</b>	<b>20,368</b>	<b>633</b>	<b>-21,195</b>	<b>276</b>
Loss for the period					-5,281	-5,281
<b>Total comprehensive income for the period</b>					<b>-5,281</b>	<b>-5,281</b>
Recognition of share-based payments	6			80		80
Issue of ordinary shares - Capital increase	4	473	77,424			77,896
<b>Unaudited balance at 30 June 2014</b>		<b>943</b>	<b>97,792</b>	<b>713</b>	<b>-26,476</b>	<b>72,972</b>
<b>Balance at</b>						
<b>1 January 2015</b>		<b>943</b>	<b>97,792</b>	<b>780</b>	<b>-38,841</b>	<b>60,673</b>
Loss for the period					-19,507	-19,507
<b>Total comprehensive income for the period</b>					<b>-19,507</b>	<b>-19,507</b>
Recognition of share-based payments	6			1,458		1,458
<b>Unaudited balance at 30 June 2015</b>		<b>943</b>	<b>97,792</b>	<b>2,237</b>	<b>-58,349</b>	<b>42,623</b>

## Condensed statement of cashflow

All figures in thousand NOK						
	Note	Unaudited Q2 2015	Unaudited Q2 2014	Unaudited YTD 2015	Unaudited YTD 2014	Audited 2014
<b>Cashflow from operating activities</b>						
Loss for the period		-12,756	-2,624	-19,507	-5,281	-17,646
<i>Adjustments for:</i>						
Net interest income and expense		-125	-	-299	1	-206
Share options expense	6	856	40	1,458	80	147
Depreciation		10	-	18	-	11
Change in receivables		-2,588	907	-4,258	1,307	1,166
Change in other current liabilities		4,770	1,391	4,220	-132	2,694
<b>Net cash flow from operating activities</b>		<b>-9,834</b>	<b>-287</b>	<b>-18,369</b>	<b>-4,024</b>	<b>-13,835</b>
<b>Cashflow from investing activities</b>						
Purchase of office furnitures		-17	-	-17	-	-160
<b>Net cash flow from investing activities</b>		<b>-17</b>		<b>-17</b>		<b>-160</b>
<b>Cashflow from financing activities</b>						
Net interest income and expense		125	-	299	-1	287
Other finance expense		-	-	-	-	-5
Share issue expense		-	-4,604	-	-4,604	-4,604
Proceeds from equity issue		-	70,000	-	72,500	72,500
<b>Net cash flow from financing activities</b>		<b>125</b>	<b>65,396</b>	<b>299</b>	<b>67,895</b>	<b>68,178</b>
Total cashflow		-9,726	65,110	-18,087	63,871	54,182
Cash and cash equivalents at beginning of period		54,191	7,132	62,552	8,370	8,370
<b>Cash and cash equivalents at end of period</b>		<b>44,465</b>	<b>72,241</b>	<b>44,465</b>	<b>72,241</b>	<b>62,552</b>



## Notes

### 1. General information

Targovax AS ("the Company") is a limited liability company incorporated and domiciled in Norway. The address of the registered office is Vollsveien 6, 1366 Lysaker.

Targovax was established in 2010 by inventors of the technology and The Radium Hospital Research Foundation. The Company develops innovative active immunotherapy in the form of cancer vaccines. The technology is cancer cell specific, and educates the patients' immune system to recognize and kill cancer cells. The treatment induces immune responses, which indicate a survival benefit. The drug is well tolerated with a very low level of side effects. The product pipeline is based on promising preclinical and clinical data. The technology can easily be combined with other forms of treatment such as surgery, radiation, chemotherapy or checkpoint inhibitors.

The Company is not part of a group and does consequently not prepare consolidated financial statements. The figures in this first half year report are non-audited figures. These financial statements were approved for issue by the Board of Directors on 27 August, 2015.

### 2. Significant accounting principles/Critical accounting estimates and judgments

The quarterly financial statements are prepared using the same accounting principles and calculation methods as used for the annual financial statements 2014. Targovax' accounting principles/ critical accounting estimates and judgments are presented in Targovax' annual financial statements 2014, and the quarterly financial statements should be read in conjunction with this.

The accounting principles used have been consistently applied in all periods presented.

Amounts are in Thousand Norwegian kroner unless stated otherwise. The functional currency of the Company is NOK.

There are no changes in the Company's activity, and is currently organized in one operating segment

#### 2.1 Basis of preparation

The quarterly financial statements of Targovax AS have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The financial statements have been prepared on the historical cost basis.

#### 2.2 Standards and Interpretations in issue but not yet adopted

At the date of authorization of these quarterly financial statements there are no Standards or Interpretation that has been issued where the Management consider any material impact.

### 3. Government grants

Government grants have been recognized in profit or loss as a reduction of the related expense with the following amounts:

(NOK 1,000)	Q2 2015	Q2 2014	1H 2015	1H 2014	FY 2014
Cost of manufacturing for OPEX	609		682		
Payroll and related expense	951	452	1,983	901	2,003
Other operating expense	2,962	853	3,882	1,288	6,034
<b>Total</b>	<b>4,521</b>	<b>1,305</b>	<b>6,546</b>	<b>2,190</b>	<b>8,038</b>

For the period 2013 through 2016, the Company has been awarded a grant from The Research Council (program for user-managed innovation arena (BIA)) of NOK 12,361,000 in total.

R&D projects have been approved for SkatteFunn for the period 2011 through 2016.

#### 4. Share capital and number of shares

Share capital as at 30 June 2015 is 942,940 (30 June 2014: 942 940) being 9,429,404 ordinary shares at nominal value NOK 0.10 (30 June 2014: 9 429 404 at NOK 0.10). All shares carry equal voting rights.

The movement in the number of shares during the period was as follows:

	2015	2014
Ordinary shares at 1 January	9,429,404	4,703,000
Capital increase	-	4,726,404
<b>Ordinary shares at 30 June</b>	<b>9,429,404</b>	<b>9,429,404</b>

#### 5. Earnings per share

(NOK 1,000)	Q2 2015	Q2 2014	1H 2015	1H 2014	FY2014
Loss for the period	-12,756	-2,624	-19,507	-5,281	-17,646
Average number of shares outstanding during the period	9,429	7,801	9,429	7,066	7,066
<b>Earnings/loss per share – basic and diluted</b>	<b>-1.35</b>	<b>-0.34</b>	<b>-2.07</b>	<b>-0.75</b>	<b>-2.50</b>

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognized as potential ordinary shares only shall be treated as dilutive if their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the Company is currently loss-making an increase in the average number of shares would have anti-dilutive effects.

#### 6. Share based payment

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) in the Company. Each share option converts into one ordinary share of the Company on exercise. Options may be exercised at any time from the date of vesting until expiry.

The following share-based payment arrangements were in existence during the current and prior years:

Granted	# of options	Expiry date	Exercise price	Fair value at grant date	Vesting plan
5 Nov 2012	34,000	5 Nov 2017	7.5	5.88	5 Nov 2013
5 Nov 2012	33,500	5 Nov 2017	7.5	5.88	5 Nov 2014
5 Nov 2012	32,500	5 Nov 2017	7.5	5.88	5 Nov 2015
12 Jan 2015	300,000	12 Jul 2020	21.5	19.12	1/5 every 12 month
1 Jun 2015	300,000	1 Dec 2020	25.0	26.11	1/5 every 12 month

There were granted 600,000 share options during the first half of 2015. No share options were granted during 2014. Options were priced using the Black-Scholes model. The expected volatility for options issued in 2015 is estimated at average of 0.9093, based on the volatility of comparable

listed companies. The volume weighted average interest rate applied to the share options grants in first half of 2015 is 1.1%.

	2015		2014	
	No. of options	Weighted avg. exercise price	No. of options	Weighted avg. exercise price
Balance 1 Jan	100,000	7.50	100,000	7.50
Granted during the period	300,000	21.50	0	-
Granted during the period	300,000	25.00	0	-
Exercised during the year	0	-	0	-
<b>Balance 30 Jun</b>	<b>700,000</b>	<b>21.00</b>	<b>100,000</b>	<b>7.50</b>

## 7. Subsequent events

### Oncos Acquisition 2 July 2015

On 2 July 2015, the Company acquired all the shares in Oncos Therapeutics Oy ("Oncos"), an unlisted privately funded company based in Finland. Oncos is a clinical-stage biotechnology company, which also is focusing on the design and development of targeted cancer immunotherapy. The transaction was structured as a share for share exchange whereby the Company issued 9,429,404 new shares to the shareholders of Oncos as consideration for the shares in Oncos (the "Oncos Acquisition").

Following the Oncos Acquisition, Oncos is a wholly-owned subsidiary of the Company at the closing date of the agreement 2 July 2015 (the "Acquisition date"). Following the share capital increase registered on July 2 2015, the share capital of Targovax is NOK 1,885,880.80, divided into 18,858,808 shares, each with a nominal value of NOK 0.10.

Combination of Targovax and Oncos complementary technologies creates a unique platform for the development of cutting-edge vaccines and immunotherapies. The combined group of Targovax and Oncos is positioned as a leading Nordic immuno-oncology company with clinical experience to date validates safety and mechanism of action of both technology platforms.

The main drivers for Oncos is the patented technology, and mainly the product technology for the ONCOS-102 product. The allocation of value to the patented technology is done by a cost based valuation approach, analysing the total fund invested in the intangible assets and additional value created as part of the product development.

The purchase price allocation is preliminary as of 27 August 2015 as the acquisition occurred after the interim reporting date 30 June 2015. The final purchase price allocation will be presented when the main uncertainty related to the identified assets and liabilities acquired from Oncos are closed.

The fair values of the identifiable assets and liabilities of Oncos, as at the date of acquisition, as a result of the preliminary purchase price allocation were:

(NOK 1,000)	NOK	EUR
<b>Assets</b>		
Intangible assets	339,151	38,562
Tangible assets	1,298	148
Other current assets	5,454	620
Cash	1,313	149
<b>Total assets</b>	<b>347,217</b>	<b>39,479</b>
<b>Liabilities</b>		
Deferred tax	-54,560	-6,204
Non-current liabilities	-44,278	-5,034
Current liabilities	-12,644	-1,438
<b>Total liabilities</b>	<b>-111,482</b>	<b>-12,676</b>
<b>Total consideration (the "Purchase price")</b>	<b>235,735</b>	<b>26,803</b>

Intangible assets of NOK 339,151,170 comprises the patented technology, which is the value drivers for Oncos. The patented technology consist mainly the product technology for the ONCOS-102 product. ONCOS-102 has shown promising results in cellular immune response stimulation. The product has succeeded in passing the critical phase 1 in the development cycle and is ready to start phase 2 in several solid tumor indications. In addition, ONCOS-102 has been designated orphan drug status both in Europe and the US for the indications mesothelioma and ovarian cancer. The other products and patents developed by Oncos are still at a discovery stage and invested capital in these products is insignificant. No excess value is allocated to other products than ONCOS-102.

This means that no residual value of the purchase price is recognized as goodwill, and no other excess values than patented technology are identified as part of the transaction.

Total transaction costs related to the acquisition is NOK 4 million.

No contingent consideration arrangements are identified as part of the acquisition.

#### Capital increase 9 July 2015

As announced by Targovax on 18 June 2015, Targovax was successful in raising NOK 200 million in a private placement (the "Private Placement"). The Private Placement of NOK 200 million was completed on July 9 2015. As a result 8,000,000 new shares have been issued to investors that were allocated shares in the Private Placement. Following completion of the Private Placement, the share capital of Targovax is NOK 2,685,880.80 divided into 26,858,808 shares each with a nominal value of NOK 0.10.

## Changes in shareholders subsequent to June 30 2015

After the share capital increase of 9,429,404 new shares to the shareholders in Oncos as a result of the Oncos transaction 2 July 2015, and the subsequent private placement of NOK 200 million registered at 9 July 2015, the 10 largest shareholders are as follows at 10 August 2015:

Shareholder	# of shares	% share
Healthcap	8,488,918	31.6%
Radiumhospitalets Forskningsstiftelse	3,410,589	12.7%
Trojan AS	2,462,000	9.2%
Arctic Funds Plc	907,000	3.4%
Timmuno AS	724,650	2.7%
Prieta AS	720,000	2.7%
Portia AS	600,000	2.2%
Danske Bank A/S (Nominee)	586,971	2.2%
Nordnet Bank AB (Nominee)	566,322	2.1%
KLP Aksje Norge	460,000	1.7%
Eltak Holding AS	442,000	1.6%
<b>TOTAL 10 LARGEST SHAREHOLDERS</b>	<b>18,872,198</b>	<b>70.3%</b>
Other shareholders (159)	7,986,610	29.7%
<b>TOTAL 169 SHAREHOLDERS</b>	<b>26,858,808</b>	<b>100.0%</b>

HealthCap, Radiumhospitalets Forskningsstiftelse, Timmuno AS and Prieta AS have entered into lock-up agreements for their shares for the period until the earliest of:

- (1) completion of an initial public offering of the company
- (2) the day falling 12 Months after the completion of the private placement 9 July 2015

## Shareholdings Key management

The following table provides the total number of shares and share options held by persons in the management group and member of the Board of Directors as of 10 July 2015:

Name	Position	Number of shares	Number of share-options outstanding
Gunnar Gårdemyr	Chief Executive Officer	20,000 <sup>1</sup>	300,000
Øystein Soug	Chief Financial Officer	20,000 <sup>2</sup>	300,000
Jon Amund Eriksen	Chief Operating Officer	724,650	
Magnus Jäderberg	Chief Medical Officer	20,000	
Robert Burns	Member of the Board	29,063	

<sup>1</sup> The shares are held through Abakus Invest AS

<sup>2</sup> The shares are held through Timmuno AS

Jonas Einarsson, Leader of the Board of Directors, is CEO in the Radium Hospital Research Foundation

Johan Christenson and Per Samuelsson, both Member of the Board, are partners at HealthCap