INTERIM REPORT

3Q 2017

The strong momentum in the business continued into the third quarter and included significant progress across both platforms

HIGHLIGHTS FOR THE THIRD QUARTER 2017

Research & Development

- Targovax presented data from three trials at the annual meeting of the European Society of Molecular Oncology (ESMO) in September in Madrid, highlighting some of the important clinical progress from both of its two platforms

- Targovax announced the initiation of the Phase I/II trial in ovarian and colorectal cancer, where, for the first time, ONCOS-102 will be administered intra-peritoneally. The trial is in combination with IMFINZI™ (durvalumab), and is a collaboration between Targovax and the Cancer Research Institute (CRI), and sponsored by Ludwig Cancer Research

- Targovax was granted a US patent for the therapeutic use of the product candidates in its TG mutant-RAS neo-antigen cancer vaccine platform in combination with anti-metabolite chemotherapy

- At the Nordic Life Science Days conference in Malmø in September, Targovax received the 2017 Nordic Stars award for outstanding innovation and entrepreneurial skills

Financial

- In July, Targovax completed the private placement of NOK 200m (USD 26m) announced in June, as well as a subsequent offering raising a further NOK 6.5m (USD 0.8m)

POST-PERIOD HIGHLIGHTS

- In October, Targovax reported encouraging one-year survival rate, immune activation, and safety data for the modified “second” cohort in the TG01 phase I/II trial in resected pancreatic cancer, in line with the first[1] cohort data published earlier in the year

- In October, Targovax was granted a US patent for its product candidate TG02 and its use to stimulate the immune system of cancer patients, the 2nd generation product from the TG platform, which is currently under testing in a phase I trial in colorectal cancer

[1] Previously referred to as “main” cohort

Key figures:

Amounts in NOK thousands	3Q 2017	3Q 2016	9M 2017	9M 2016	2016
Total operating revenues	21	33	32	33	37
Total operating expenses	-26 591	-24 841	-87 514	-88 256	-119 548
Operating profit/loss	-26 570	-24 808	-87 481	-88 224	-119 511
Net financial items	-1 679	-938	-2 244	-2 492	-3 203
Income tax	84	114	241	176	260
Net profit/loss	-28 165	-25 632	-89 484	-90 539	-122 454
Basic and diluted EPS (NOK/share)	-0.59	-0.61	-1.96	-2.83	-3.55
Net change in cash	169 947	85 253	114 139	18 606	-2 268
Cash and cash equivalents start of period	115 821	107 251	171 629	173 898	173 898
Cash and cash equivalents end of period	285 768	192 504	285 768	192 504	171 629

"The momentum generated in the business this year continued in the third quarter. During the period, we initiated a very interesting collaboration trial in colorectal and ovarian cancer, where we will test intraperitoneal administration of ONCOS-102, and combine it with AstraZeneca's checkpoint inhibitor IMFINZI. We also got an important patent granted in the US for the therapeutic use of the TG platform in combination with chemotherapy. In October, the patent position of the TG platform was strengthened further by the grant of a US product/composition of matter patent for TG02. In recent weeks, we were also pleased to see the encouraging one-year survival rate, immune activation, and safety data from the second cohort in the TG01 trial in resected pancreatic cancer, which further strengthens the potential of this program. We now look forward to an exciting period in the end of 2017 and through 2018, with several important data read-outs from our ongoing clinical trial programs."

Øystein Soug,
CEO

OPERATIONAL REVIEW

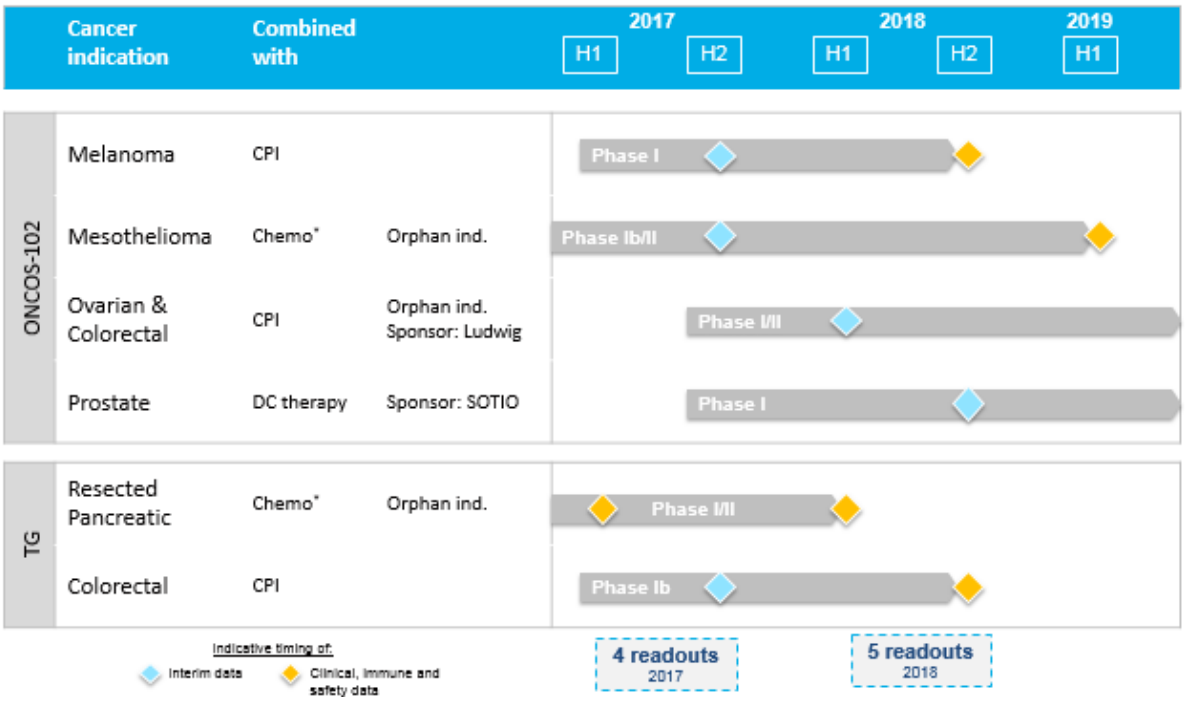
During the period Targovax continued development of its product candidates, both through its own clinical trials and through collaborations.

Targovax's strategy is to apply its two immunotherapeutic platforms in multiple indications. The Company intends to retain the option to bring products to market directly or to partner with pharmaceutical companies.

Currently, Targovax has:

- **two** platforms
- **four** orphan drug designations
- **six combination trials**, four with checkpoint inhibitors (CPI) or other immune therapies, ongoing or about to start
- **eight upcoming** readouts anticipated by the end of 2018

Clinical development program overview



Clinical development programs

ONCOS-102 in checkpoint inhibitor refractory melanoma

This trial is an open-label phase I trial exploring the safety, immune activation, and clinical response of sequential treatment with ONCOS-102 and the checkpoint inhibitor KEYTRUDA® (pembrolizumab, an anti-PD-1 monoclonal antibody) in patients with advanced or unresectable melanoma whose tumors have continued to grow following checkpoint inhibitor therapy. The trial is being conducted at Memorial Sloan Kettering Cancer Center in New York, one of the world's leading clinical research institutions in the field of immuno-oncology. The goal of the trial is to investigate whether the immune systems of patients who have already failed to respond to checkpoint inhibitors can be reactivated by priming with ONCOS-102 and whether this reactivation enables them to respond to subsequent retreatment with a checkpoint inhibitor.

The trial is planned to include 12 patients, and is currently actively recruiting. Results, potentially establishing proof of concept in refractory melanoma, are expected in 2018. Preliminary data from a subset of patients are expected towards the end of this year.

ONCOS-102 in mesothelioma

This trial is a randomized phase II, open-label trial with a phase Ib safety lead-in of ONCOS-102 and standard of care pemetrexed/cisplatin (chemotherapy) in patients with unresectable malignant pleural mesothelioma. The trial is planned to include six patients in a lead-in for combination safety evaluation followed by a randomized part of the trial to compare the combination treatment with the standard of care chemotherapy.

The first patients in the safety cohort have been dosed.

TG01 in pancreatic cancer

This trial is an ongoing open-label, phase I/II trial with TG01 treatment[2] and standard of care gemcitabine (chemotherapy) as adjuvant therapy for treating patients with resected adenocarcinoma of the pancreas. The trial is structured as a first cohort of 19 patients, and a second cohort of 13 patients on an adjusted vaccination schedule. The primary objective of the trial is an assessment of safety and immune activation, while the secondary objective is treatment efficacy, including overall survival at two years. The recruitment to this trial was completed in May 2016 and the patients will be monitored for 24 months.

Encouraging top line two-year survival data from TG01 clinical trial

In February 2017, Targovax announced encouraging top line two-year survival data from the first cohort in its TG01 clinical trial in resected pancreatic cancer patients. Data from this patient cohort showed that 68 percent of evaluated patients, or 13/19, were still alive after two years (with survival counted from time of resection which occurred on average two months prior to first treatment). While the cohort is small and there is no control arm, this rate compares favorably with the available published historical two-year survival rates of resected cancer patients treated with gemcitabine alone reported in prior large-scale trials of between 30 and 53 percent.

Immune data as well as survival and safety data were presented at the 2017 American Society of Clinical Oncology (ASCO) Annual Meeting in June 2017:

- TG01 treatment generated early immune responses in 89 percent of patients (17/19) with resected pancreatic cancer. 95 percent of

[2] Both product candidates in the TG platform - TG01 and TG02 - are administered together with GM-CSF

patients (18/19) showed immune activation in either DTH and/or PBMC tests. This demonstrates that TG01 vaccination induces mutant RAS specific T cells
- Overall median survival of 33.1 months is encouraging in view of published reports for standard of care
- The regimen was generally well tolerated although some late, manageable allergic reactions were seen

Additional data were presented at the European Society for Medical Oncology (ESMO) Annual Meeting in September 2017:

- After 2.5 years 9 of 18 patients assessed were alive, with the survival status for 1 of the 19 patients yet to be confirmed
- When the last enrolled patient had been in the trial for 2.5 years, 6 out of the 19 patients were still alive (one additional patient yet to be confirmed). At this timepoint, these 6 patients had been in the trial between 2.5 - 3.4 years

This is a key milestone for Targovax and triggers the next step of clinical development for this combination therapy.

TG01 second cohort – one-year survival rate and safety data

The second cohort of patients started recruitment in 2015, and the last patient enrolled has been in the trial for more than one year. The one-year survival rate, immune activation and safety data in the second cohort showed that:

- 100% of patients (13/13) were alive one year after surgery
- TG01 treatment generated an immune response in 85% of patients (11/13)
- No serious adverse events related to allergic reactions have been reported

The purpose of the second cohort is to build on the positive findings from the first cohort and to further optimize the TG01 treatment regimen and safety profile of the combination therapy. Although manageable, some allergic reactions were seen in patients in the first cohort when treating with TG01 and gemcitabine in parallel. Hence, the second cohort received fewer TG01 injections overall than the first cohort, administered non-concomitantly with gemcitabine.

Although the dosing regimen was adjusted, the strong immune response and one-year survival rate was maintained, consistent with the data from the first cohort. This further strengthens the safety profile of TG01, and adds valuable understanding to optimize the dosing regimen in resected pancreatic cancer, which is notoriously difficult to treat.

TG02 in colorectal cancer

TG02 is the second TG cancer immune activator to enter the clinic from the Company's neo-antigen cancer vaccine platform designed to specifically treat tumors that express mutated forms of RAS. This is an open-label, non-randomized phase Ib exploratory trial to determine safety and anti-tumor immune activation using TG02. Patients with locally recurrent colorectal cancer scheduled to have surgery will be recruited – 10 patients will receive TG02 as monotherapy and 10 patients will receive TG02 in combination with the checkpoint inhibitor KEYTRUDA®.

The trial is currently recruiting patients in Australia and New Zealand.

Clinical trials with collaboration partners

In November 2015, Targovax entered into an agreement with US-based Ludwig Cancer Research (LCR) and the Cancer Research Institute (CRI).

The first clinical trial as part of this collaboration is a non-randomized, open-label, phase I/II trial which will explore the

combination of lead product candidate ONCOS-102 with MedImmune's CPI, Imfinzi™ (durvalumab), a PD-L1 monoclonal antibody antagonist. This trial was initiated in September 2017. MedImmune is the global biologics research and development arm of AstraZeneca. The trial will recruit up to 78 patients with advanced peritoneal disease who have failed to respond to standard of care chemotherapy and have histologically confirmed platinum-resistant or refractory epithelial ovarian or colorectal cancer.

The objectives of the trial will include an assessment of safety, clinical efficacy, and immunological activity of ONCOS-102 in combination with Imfinzi™ (durvalumab) with intraperitoneal (IP) delivery of ONCOS-102. Importantly, this is the first study in which ONCOS-102 is being given by the intraperitoneal route of administration. The trial is being conducted in the US and sponsored by Ludwig Cancer Research on behalf of the Cancer Research Institute.

Targovax also has an ongoing clinical collaboration with the Czech biotech company SOTIO. The objective of the Sotio collaboration is to study the safety and tolerability of ONCOS-102 when combining Targovax's oncolytic virus and SOTIO's dendritic cell therapy DCVAC/PCa in prostate cancer patients. The plan is to recruit the first patient during the second half of 2017.

Through these collaborations, Targovax seeks to leverage its own clinical development expertise with access to leading external expertise and extensive clinical trial networks.

The collaboration partners serve as sponsors for both trials. Targovax contributes to the trials with ONCOS-102 and some limited financial support.

Preclinical

A study of the efficacy of combination of ONCOS-102 and KEYTRUDA® in a melanoma mouse model have been performed, showing synergistic anti-tumor effect of ONCOS-102 and KEYTRUDA®:

- KEYTRUDA® alone at both doses did not reduce tumor volume
- ONCOS-102 reduced volume by 51%
- ONCOS-102 + KEYTRUDA® reduced volume by 61% (lower dose) and 69% (higher dose)

Study data support the scientific rationale of the ongoing clinical melanoma study of ONCOS-102 and KEYTRUDA® and support the patent application.

IPR / Market exclusivity

Targovax owns a patent portfolio which is designed to protect its pipeline and this includes different families of patents and patent applications covering product candidates in development as well as potential future product candidates. The Company continuously works to strengthen its patent portfolio.

The Company has Orphan Drug Designation for ONCOS-102 in mesothelioma, ovarian cancer, and soft tissue sarcoma[3], ensuring up to 10 years of market protection from the date of market approval. TG01 in pancreatic cancer has been granted Orphan Drug Designation in the EU and US. In November 2016, Targovax was granted a European patent for ONCOS-102, following the award of a similar US patent in June 2016. These patents expire in 2029.

In September 2017, Targovax was granted a US patent for its mutant-RAS neo-antigen platform that protects the specific therapeutic cancer vaccine candidates,

[3] Targovax has no ongoing trials in soft tissue sarcoma

TG01 and TG02, for the treatment of cancer in combination with anti-metabolite chemotherapy. Post period, in October, a US patent was granted that protects Targovax's mutant-RAS specific neo-antigen vaccine candidate, TG02, as a composition of matter to stimulate the immune system of cancer patients with RAS-mutated tumors. These patents expire in 2035 and 2034, respectively.

Experienced team

Targovax has a very experienced management team with different backgrounds from successful biotech companies, as well as extensive experience in the pharmaceutical industry.

Management team:

Name	Position
Øystein Soug	CEO
Magnus Jäderberg	CMO
Erik Digman Wiklund	CFO
Jon Amund Eriksen	CTIO[4]
Anne-Kirsti Aksnes	VP Clinical
Tina Madsen	VP QA
Peter Skorpil	VP BD
Berit Iversen	VP CMC

Board of Directors

The Board of Directors consists of highly skilled professionals with a broad range of relevant competences:

Jónas Einarsson, Bente-Lill Romøren, Per Samuelsson, Johan Christenson, Robert Burns, Lars Lund-Roland, Eva-Lotta Allan, and Diane Mellett.

FINANCIAL REVIEW

Results third quarter 2017

In the third quarter 2017, Targovax had no core business revenue.

Operating expenses amounted to NOK 27m (NOK 25m) in the third quarter 2017. The operating expenses are reported net of governmental grants, which amounted to NOK 1m in the period (NOK 1m). The net loss amounted to NOK 28m in the third quarter 2017 (NOK 26m).

Financial position and cash flow

In June 2017, Targovax raised NOK 200m in a private placement, through the allocation of 10 million shares at NOK 20 per share. The transaction closed on 9 June 2017.

Following the private placement, the company completed a subsequent offering in July, raising proceeds of NOK 6 million through a share issue of 0.3 million shares at NOK 20 per share. Following the transaction, the total number of shares outstanding in Targovax amounted to 52.6 million.

Proceeds from the placement have been allocated to the funding of clinical trials and general corporate purposes.

Net cash was NOK 286m at the end of the third quarter, compared to NOK 193m at the end of the third quarter 2016 and NOK 116m at the end of the second quarter 2017. Net cash flow from operating activities during the third quarter was negative by NOK 24m, compared to negative NOK 20m in the third quarter 2016 and NOK 32m in second quarter 2017.

In 2017, TEKES the Finnish Funding Agency for Technology and Innovation, issued an additional EUR 0.3m tranche on an existing loan. By the end of the period, total outstanding interest bearing debt amounted to EUR 6.3m, all from TEKES.

[4] CTIO – Chief Technology Innovation Officer

SHARE INFORMATION

In July 2016, Targovax shares were listed on the Oslo Axess exchange under the ticker TRVX. In March 2017 Targovax moved its share listing from Oslo Axess to Oslo Børs, the main board at the Oslo Stock Exchange. By 23 October 2017, there were 52,609,867 shares outstanding, distributed between 4180 shareholders. The 20 largest shareholders controlled 59 percent of the shares. The estimated share ownership situation on 23 October 2017:

Shareholder		Estimated ownership	
		Shares m	*Relative*
HealthCap	Sweden	12,4	23,6 %
Nordea	Norway	4,7	8,9 %
RadForsk	Norway	4,4	8,4 %
KLP	Norway	1,9	3,7 %
Statoil	Norway	1,2	2,2 %
Thorendahl Invest AS	Norway	0,9	1,7 %
Danske Bank (nom.)	Denmark	0,8	1,5 %
Euroclear Bank (nom.)	Belgium	0,8	1,4 %
Timmuno	Norway	0,7	1,4 %
Prieta AS	Norway	0,7	1,4 %
Sundt AS	Norway	0,6	1,1 %
Yngve S. Lillesund	Norway	0,3	0,6 %
NHO - P665AK	Norway	0,3	0,5 %
The Bank of NY Mellon (nom.)	Belgium	0,2	0,5 %
The Bank of NY Mellon (nom.)	Belgium	0,2	0,4 %
Tobech Invest AS	Norway	0,2	0,4 %
Istvan Molnar	Norway	0,2	0,4 %
Danske Bank (nom.)	Denmark	0,2	0,3 %
Kristian Falnes AS	Norway	0,2	0,3 %
Spar Kapital Investor AS	Norway	0,2	0,3 %
Top 20		**31,0**	**59,0 %**
Other shareholders (4160)		*21,6*	*41,0 %*
Total		**52,6**	**100,0 %**

During Q3 2017, Targovax shares traded in the NOK 16.90-21.00 range. During the quarter, some 10 million shares were traded, with an aggregate trading value of NOK 197m.

The closing price on 26 October 2017 was NOK 17.00 per share, corresponding to a market value of NOK 894 million.

SUBSEQUENT EVENTS

In October one-year survival rate and safety data in the second cohort of the TG01 trial in resected pancreatic cancer were presented at the European Society for Medical Oncology (ESMO) Annual Meeting in September 2017:

- After 2.5 years 9 of 18 patients assessed were alive, with the survival status for 1 of the 19 patients yet to be confirmed
- When the last enrolled patient had been in the trial for 2.5 years, 6 out of the 19 patients were still alive (one additional patient yet to be confirmed). At this timepoint, these 6 patients had been in the trial between 2.5 - 3.4 years

In October, a US patent was granted that protects Targovax's mutant-RAS specific neo-antigen vaccine candidate, TG02, as a composition of matter to stimulate the immune system of cancer patients with RAS-mutated tumors. This patent expires in 2034.

RISKS AND UNCERTAINTY FACTORS FOR THE THIRD QUARTER 2017

The Company's business is exposed to a number of general operational and financial risks which have been explained in Targovax's annual report 2016, as well as in the recent prospectus, both available at www.targovax.com.

OUTLOOK

Targovax's two platforms represent distinct, novel, and potentially complementary approaches to treating a range of different cancer indications.

As previously communicated, the net proceeds from the recently completed private placement and subsequent repair offering, will be used to support eight data readouts from clinical trials across these platforms in the remainder of 2017 and 2018. These results will further profile the potential of both platforms and are keenly awaited.

The next year will be exciting in terms of reporting data on ongoing ONCOS-102 trials – which in turn will guide future development decisions for the virus product candidate. The TG platform will also benefit from several data readouts. It is, however, already clear that Targovax will build on this year's encouraging signals of efficacy with TG01 and endeavor to commence a controlled trial in TG01 for pancreatic cancer.

Oslo, 1 November 2017

The Board of Directors of Targovax ASA

Jonas Einarsson
Chairman of the Board

Per Samuelsson
Board member

Bente-Lill Romøren
Board member

Lars Lund-Roland
Board member

Johan Christenson
Board member

Robert Burns
Board member

Eva-Lotta Allan
Board member

Diane Mellett
Board member

Øystein Soug
Chief Executive Officer

Third quarter and nine month accounts 2017

Condensed consolidated statement of profit and loss

(Amounts in NOK thousands except per share data)	Note	Unaudited 3Q 2017	Unaudited 3Q 2016	Unaudited 9M 2017	Unaudited 9M 2016	2016
Other revenues		21	33	32	33	37
Total revenue		***21***	***33***	***32***	***33***	**37**
External R&D expenses	3,4	-10 607	-10 690	-33 361	-33 188	-45 001
Payroll and related expenses	5,11	-11 571	-10 370	-35 234	-35 855	-49 235
Other operating expenses	3,4	-4 413	-3 781	-18 919	-19 214	-25 311
Total operating expenses		***-26 591***	***-24 841***	***-87 514***	***-88 256***	**-119 548**
Operating profit/ loss (-)		**-26 570**	**-24 808**	**-87 481**	**-88 224**	**-119 511**
Financial income		354	236	3 699	692	1 241
Financial expenses		-2 033	-1 174	-5 943	-3 184	-4 444
Net financial items		**-1 679**	**-938**	**-2 244**	**-2 492**	**-3 203**
Loss before income tax		**-28 249**	**-25 746**	**-89 725**	**-90 716**	**-122 714**
Income tax expense		84	114	241	176	260
Loss for the period		**-28 165**	**-25 632**	**-89 484**	**-90 539**	**-122 454**
Earnings/ loss (-) per share						
Basic and dilutive earnings/ loss (-) per share	10	-0.59	-0.61	-1.96	-2.83	-3.55

Consolidated statement of other comprehensive income / loss (-), net of income tax

(Amounts in NOK thousands except per share data)	3Q 2017	3Q 2016	9M 2017	9M 2016	2016
Income / loss (-) for the period	-28 165	-25 632	-89 484	-90 539	-122 454
Items that may be reclassified to profit or loss:					
Exchange differences arising from the translation of foreign operations	-4 712	-11 908	9 547	-18 643	-16 174
Total comprehensive income/ loss (-) for the period	**-32 877**	**-37 540**	**-79 937**	**-109 183**	**-138 628**
Total comprehensive income/ loss (-) for the period attributable to owners	**-32 877**	**-37 540**	**-79 937**	**-109 183**	**-138 628**

Condensed consolidated statement of financial position

(Amounts in NOK thousands)	Note	Unaudited 30.09.2017	Unaudited 30.09.2016	31.12.2016
ASSETS				
Intangible assets	6	350 334	334 505	338 213
Property, plant, and equipment		1 190	1 333	1 299
Total non-current assets		**351 524**	**335 838**	**339 512**
Receivables		15 909	17 992	14 203
Cash and cash equivalents		285 768	192 504	171 629
Total current assets		**301 677**	**210 496**	**185 833**
TOTAL ASSETS		**653 201**	**546 334**	**525 345**
EQUITY AND LIABILITIES				
Shareholders equity				
Share capital	9	5 261	4 213	4 219
Share premium reserve		821 181	627 447	627 796
Other reserves		25 932	17 798	17 055
Retained earnings		-343 005	-221 606	-253 521
Translation differences		15 166	3 150	5 618
Total equity		**524 535**	**431 002**	**401 168**
Non-current liabilities				
Interest-bearing liabilities	7	45 811	38 971	39 714
Deferred tax		56 943	54 767	55 278
Total non-current liabilities		**102 755**	**93 738**	**94 992**
Current liabilities				
Accounts payable and other current liabilities		8 286	5 979	4 681
Accrued public charges		1 200	2 045	3 348
Other short-term liabilities		16 424	13 570	21 155
Total current liabilities		**25 911**	**21 593**	**29 185**
TOTAL EQUITY AND LIABILITIES		**653 201**	**546 334**	**525 345**

Condensed consolidated statement of changes in equity

Balance at 31 December 2015		**2 688**	**522 502**	**6 957**	**21 793**	**-131 067**	**422 873**
Loss for the period						-90 539	-90 539
Exchange differences arising from the translation of foreign operations					-18 643		-18 643
Other comprehensive income/loss, net of tax							-
Total comprehensive income for the period					**-18 643**	**-90 539**	**-109 183**
Issue of ordinary shares - Capital increase - Private Placement and repair offering	9	1 523	112 692				114 215
Transaction costs - Private Placement and repair offering			-7 728				-7 728
Share issuance, employee share options		2	-18	-	-	-	-16
Recognition of share-based payments	11			10 840			10 840
Balance at 30 September 2016		**4 213**	**627 447**	**17 798**	**3 150**	**-221 606**	**431 002**
Loss for the period						-31 914	**-31 914**
Exchange differences arising from the translation of foreign operations					2 469		**2 469**
Other comprehensive income/loss, net of tax							-
Total comprehensive income for the period					**2 469**	**-31 914**	**-29 446**
Issue of ordinary shares - Capital increase - Private Placement and repair offering	9	6	373				114 593
Transaction costs - Private Placement and repair offering			-24				-7 753
Share issuance, employee share options	9			-		-	-
Recognition of share-based payments & RSU's	11	-	-	-743	-	-	-743
Balance at 31 December 2016		**4 219**	**627 796**	**17 055**	**5 618**	**-253 521**	**401 168**
Loss for the period						-89 484	-89 484
Exchange differences arising from the translation of foreign operations		-	-	-	9 547	-	9 547
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period					**9 547**	**-89 484**	**-79 937**
Issue of ordinary shares - Capital increase - Private Placement and repair offering	9	1 032	205 433				206 465
Transaction costs - Private Placement and repair offering			-12 236				-12 236
Share issuance, employee share options	9	10	189	-	-	-	198
Recognition of share-based payments & RSU's	11	-		8 877	-	-	8 877
Balance at 30 September 2017		**5 261**	**821 181**	**25 932**	**15 166**	**-343 005**	**524 535**

Condensed consolidated statement of cash flow

(Amounts in NOK thousands)	Note	Unaudited 3Q 2017	Unaudited Q3 2016	Unaudited 9M 2017	Unaudited 9M 2016	FY 2016
Cash flow from operating activities						
Loss before income tax		-28 249	-25 746	-89 725	-90 716	-122 714
Adjustments for:						
Finance income		*-354*	*-236*	*-3 699*	-692	-1 241
Finance expense		2 033	1 174	5 943	3 184	4 444
Share option expense	11	3 571	1 825	8 877	10 840	10 098
Depreciation		75	71	221	214	284
Change in receivables		573	-868	-1 705	-6 435	-2 646
Change in other current liabilities		-1 659	3 737	-3 154	-2 998	2 085
Net cash flow from /(used in) operating activities		**-24 009**	**-20 043**	**-83 243**	**-86 602**	**-109 690**
Cash flow from investing activities						
Purchases of property, plant, and equipment (PPE)		-	-	-56	-19	-37
Net cash received from/(paid in) investing activities		**-**	**-**	**-56**	**-19**	**-37**
Cash flow from financing activities						
Interest received		-	-22	-	0.0	533
Interest paid	7	-171	-167	-377	-396	-548
Other finance expense		-19	-220	-65	-314	-286
Loan from TEKES	7	-	-	2 992	-	1 360
Share issue expense - Private Placement and repair offering		-12 236	-7 728	-12 236	-7 728	-7 753
Proceeds from issuance of shares -Private Placement and repair offering		206 465	114 215	206 465	114 215	114 593
Proceeds from exercise of options		189	-	198	-16	-16
Net cash generated from financing activities		**194 229**	**106 099**	**196 977**	**105 761**	**107 883**
Net increase/(decrease) in cash and cash equvivalents		**170 220**	**86 056**	**113 679**	**19 139**	**-1 844**
Net exchange gain/loss on cash and cash equivalents		-273	-803	460	-533	-424
Cash and cash equivalents at beginning of period		**115 821**	**107 251**	**171 629**	**173 898**	**173 898**
Cash and cash equivalents at end of period		**285 768**	**192 504**	**285 768**	**192 504**	**171 629**

NOTES

1. General information

Targovax ASA ("the Company") and its subsidiaries (together the Group) is a clinical stage immuno-oncology company dedicated to the development of targeted immunotherapy treatments for cancer patients.

The Group 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 cancer.

The Company is a limited public liability company incorporated and domiciled in Norway and listed on the Oslo Stock Exchange in Norway. The address of the registered office is Lilleakerveien 2C, 0283 Oslo, Norway.

The condensed interim financial information is unaudited. These financial statements were approved for issue by the Board of Directors on 1 November 2017.

2. Accounting principles

The interim condensed consolidated financial statements for the Group are prepared using the same accounting principles and calculation methods as used for the statutory, annual financial statements 2016 for Targovax ASA.

The accounting principles used have been consistently applied in all periods presented, unless otherwise stated.

Amounts are in thousand Norwegian kroner unless stated otherwise. The Groups presentation currency is NOK (Norwegian kroner). This is also the parent company's functional currency.

2.1 Basis of preparation

The quarterly financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU.

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 have been issued where the Management considers any material impact.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2017. The subsidiaries include Targovax OY, located in Helsinki, Finland and Oncos Therapeutics AG, Meggen, Switzerland, all 100% owned and controlled subsidiaries. Targovax OY is the parent company of Oncos Therapeutics AG. Oncos Therapeutics AG is under liquidation.

2.4 Going concern

As a result of the private placement and the subsequent offering in the third quarter 2017 and the current liquidity situation, Targovax's Directors expect that the Group has available

financial resources sufficient for all planned activities, notably six clinical trials, in the next twelve months as of 1 November 2017. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3. Research and development expenses

The Group is developing new products. Uncertainties related to the regulatory approval process and results from ongoing clinical trials generally indicate that the criteria for asset recognition is not met until the time when marketing authorization is obtained from relevant regulatory authorities.

The following research and development expenditures have been expensed:

(Amounts in NOK thousands)	3Q 2017		3Q 2016		9M 2017		9M 2016		2016	
	Total	of which R&D	Total	of which R&D	Total	of which R&D	Total	of which R&D	Total	of which R&D
External R&D expenses	10 607	10 607	10 690	10 690	33 361	33 361	33 188	33 188	45 001	45 001
Payroll and related expenses	11 571	6 293	10 370	4 113	35 234	19 707	35 855	16 090	49 235	24 449
Other operating expenses	4 413	150	3 781	360	18 919	870	19 214	961	25 311	970
Total	**26 591**	**17 050**	**24 841**	**15 164**	**87 514**	**53 938**	**88 256**	**50 238**	**119 548**	**70 420**

4. Government grants

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

(Amounts in NOK thousands)	3Q 2017	3Q 2016	9M 2017	9M 2016	2016
External R&D expenses	687	526	3 148	5 131	6 068
Payroll and related expenses	176	245	816	1 515	1 640
Other operating expenses	1	18	80	55	67
Total	**864**	**789**	**4 045**	**6 701**	**7 774**

R&D projects have been approved for SkatteFUNN for the period 2011 through 2019. For the first nine months and third quarter 2017, the Group has recognized NOK 3.2m and NOK 0.9m as cost reduction in External R&D expenses, Payroll and related expenses and Other operating expenses.

The Group received an additional EUR 327 307 to one of the existing TEKES loans during the first quarter of 2017. The loan's interest rate is assessed to be 7% lower than comparable market rates, hence NOK 0.9m has been recognized as a government grant recorded as a reduction to External R&D expenses in first quarter 2017.

The Group has not been awarded grants from The Research Council (program for user-managed innovation arena, BIA) for 2017. For the period 2013 through 2016, the Group was awarded a grant from The Research Council (program for user-managed innovation arena, BIA) of NOK 12.4m in total.

5. Payroll and related expenses

Total payroll and related expenses for the Group are:

(Amounts in NOK thousands)	3Q 2017	3Q 2016	9M 2017	9M 2016	2016
Salaries and bonus	6 409	7 076	21 743	21 329	33 659
Employer's national insurance contributions	1 112	895	3 187	2 600	3 640
Share-based compensation [1)]	3 571	1 825	8 877	10 840	10 098
Pension expenses – defined contribution plan	490	637	1 492	1 865	2 394
Other	166	183	752	736	1 084
Governmental grants	-176	-245	-816	-1 515	-1 640
Total payroll and related expenses	**11 571**	**10 370**	**35 234**	**35 855**	**49 235**
1) Share-based compensation has no cash effect.					
Number of employees calculated on a full-time basis as at end of period	26.7	28.7	26.7	28.7	26.2
Number of employees as at end of period	27	29	27	29	27

6. Intangible assets

As of 30 September 2017 the recognized intangible assets in the Group amounts to NOK 350m. This is an increase from NOK 338m as of 31 December 2016, due to NOK/EUR foreign exchange fluctuations. The intangible assets are derived from the acquisition of Oncos Therapeutics OY, which was completed in July 2015 and related to the development of ONCOS-102.

Intangible assets are tested for impairment at least annually, or when there are indications of impairment.

The impairment test is based on an approach of discounted cash flows combined with a hypothetical out-licensing royalty. The valuation is sensitive to several assumptions and uncertainties, and the result from the valuation is thus limited to ensure sufficient certainty for the recognized amount in the financial statement, and should not be considered as a complete valuation of the full potential of ONCOS-102.

For more information see Note 16 Intangible assets and impairment test in the 2016 Annual Report.

7. Interest bearing debt (TEKES)

TEKES is a publicly financed funding agency that finances research and development activities for young innovative companies in Finland.

The Group has received three R&D loans, for the commercialization of ONCOS-102 from TEKES under loan agreements dated September 2010, January 2012 and December 2013, respectively, in the total outstanding amount of EUR 6 316 600 as of 30 September 2017. This includes an additional EUR 327 307 to one of the existing TEKES loans, received during the first quarter of 2017.

Amortized interests are charged to financial expenses, amounting to NOK 0.9m during the third quarter of 2017 and NOK 2.4m during first nine months of 2017.

No new TEKES loans have been awarded during third quarter 2017.

See note 22 Interest-bearing debt in the Annual Report 2016 for more information about the TEKES loans.

8. Fair value of financial instruments

The carrying value of receivables, cash and cash equivalents, borrowings and other short-term payables and accrued liabilities are assessed to approximate fair value.

(Amounts in NOK thousands)	9M 2017		9M 2016		FY 2016	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	15 909	15 909	17 992	17 992	14 203	14 203
Cash and cash equivalents	285 768	285 768	192 504	192 504	171 629	171 629
Total financial assets	**301 677**	**301 677**	**210 496**	**210 496**	**185 833**	**185 833**
Interest-bearing borrowings	45 811	45 811	38 971	38 971	39 714	39 714
Accounts payable and other current liabilities	8 286	8 286	5 979	5 979	4 681	4 681
Accrued public charges	1 200	1 200	2 045	2 045	3 348	3 348
Other short-term liabilities	16 424	16 424	13 570	13 570	21 155	21 155
Total financial liabilities	**71 722**	**71 722**	**60 564**	**60 564**	**68 899**	**68 899**

The tables below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices including Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs in asset or liability that are not based on observable market data (that is, unobservable inputs)

As at 30 September 2017:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	45 811	45 811
Total financial instruments at fair value	**-**	**-**	**45 811**	**45 811**

As at 30 September 2016:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	38 971	38 971
Total financial instruments at fair value	**-**	**-**	**38 971**	**38 971**

As at 31 December 2016:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	39 714	39 714
Total financial instruments at fair value	**-**	**-**	**39 714**	**39 714**

9. Share capital and number of shares

Targovax raised NOK 200m in a private placement in second quarter 2017. The transaction was approved by the General Assembly on 30 June. Proceeds from the June capital raise were received by Targovax after end of 2Q. Following the private placement, the company completed a subsequent offering, raising proceeds of NOK 6m, through a share issue of 323 268 shares at NOK 20.00 per share. Following the private placement and the subsequent

offering, the total share capital of Targovax is NOK 5 256 438.10 divided into 52 564 381 shares each with a nominal value of NOK 0.10.

Share capital as at 30 September 2017 is 5 260 986.7 (30 September 2016: 4 213 400.1) comprising 52 609 867 ordinary shares at nominal value NOK 0.10 (30 September 2016: 42 134 001 at NOK 0.10). All shares carry equal voting rights.

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

	Q3 2017	Q3 2016	9M 2017	9M2016	FY 2016
Ordinary shares at beginning of period	42 241 113	26 905 367	42 190 800	26 883 808	26 883 808
Share issuance - private placement and repair offering	10 323 268	15 228 634	10 323 268	15 228 634	15 228 634
Share issuance, employee share options and RSU's	45 486	-	95 799	21 559	78 358
Ordinary shares at end of period	**52 609 867**	**42 134 001**	**52 609 867**	**42 134 001**	**42 190 800**

The 20 largest shareholders are as follows at 30 September 2017:

Shareholder	# shares	%
HealthCap	12 405 584	23.6 %
Radiumhospitalets Forskningsstiftelse	4 427 255	8.4 %
VPF Nordea Kapital	1 750 754	3.3 %
VPF Nordea Avkastning	1 556 582	3.0 %
Nordnet Livsforsikring AS	1 550 999	2.9 %
Verdipapirfondet KLP AksjeNorge	1 116 859	2.1 %
Statoil Pensjon	855 171	1.6 %
Nordnet Bank AB	839 779	1.6 %
Danske Bank AS	823 170	1.6 %
Thorendahl Invest AS	800 000	1.5 %
Kommunal Landspensjonskasse	788 608	1.5 %
Euroclear Bank S.A./N.V.	750 000	1.4 %
Timmuno AS	724 650	1.4 %
Prieta AS	720 000	1.4 %
Verdipapirfondet Nordea Norge Plus	712 903	1.4 %
Nordea 1 SICAV	659 333	1.3 %
Sundt AS	600 000	1.1 %
Portia AS	380 000	0.7 %
Netfonds Livsforsikring AS	337 609	0.6 %
Avanza Bank AB	327 664	0.6 %
20 largest shareholders	**32 126 920**	**61.1 %**
Other shareholders (3 908)	20 482 947	38.9 %
Total shareholders	**52 609 867**	**100.0 %**

Shareholdings Key Management

The following table provides the total number of shares owned by the key management of the Group and member of the Board of Directors, including close associates, as of 30 September 2017:

Name	Position	No. of shares outstanding at 30 September 2017	
Key management:			
Jon Amund Eriksen	Chief Technology Innovation Officer	728 601	1)
Øystein Soug	Chief Executive Officer	109 598	2)
Magnus Jäderberg	Chief Medical Officer	20 000	
Anne-Kirsti Aksnes	VP, Clinical Development	12 000	
Peter Skorpil	VP, Business Development	10 000	
Berit Iversen	VP, CMC	20 087	
Tina Madsen	VP, Quality Assurance	6 300	
Total no. of shares owned by key management of the Group		**906 586**	
Board of directors:			
Robert Burns	Board member	64 928	
Lars Lund-Roland	Board member	20 811	
Total no. of shares owned by the Board of Directors of the Group		**85 739**	

1 The shares are held through Timmuno AS

2 The shares are held through Abakus Invest AS.

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

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

10. Earnings per share

Amounts in NOK thousand	Q3 2017	Q3 2016	9M2017	9M2016	FY 2016
Loss for the period	-28 165	-25 632	-89 484	-90 539	-122 454
Average number of outstanding shares during the period	47 425	42 134	45 684	31 974	34 528
Earnings/ loss per share - basic and diluted	**-0.59**	**-0.61**	**-1.96**	**-2.83**	**-3.55**

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 Group is currently loss-making, an increase in the average number of shares would have anti-dilutive effects.

11. Share based payment

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) in Targovax ASA.

At the Annual General Meeting in April 2017 the Board was authorized to increase the Group's share capital in connection with share incentive arrangements by up to 10% of the Share capital. On the basis of the approval by the Annual General Meeting the Board has resolved to issue new options to employees of the Company.

After the Annual General Meeting in April 2017 a total of 920,000 options for shares of the Company have been distributed amongst the members of the executive management and a total of 320,000 options for shares of the Company have been distributed amongst other employees. Each option, when exercised, will give the right to acquire one share in the Company. The options are granted without consideration.

Pursuant to the vesting schedule, 25% of the options will vest 12 months after the day of grant (as long as the option holder is still employed). Thereafter, 1/36 of the remaining options will vest each month as long as the option holder is still employed, with the first 1/36 vesting 13 months after the day of grant. The exercise price of the options is NOK 21.96. The exercise price is equal to the volume weighted average trading price of the shares of the Company on Oslo Stock Exchange on the date of the grant. Options that have not been exercised will lapse 7 years after the date of grant.

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 options generally vest over a period of four years and expire seven years after the grant date. In general, the exercise price of the options is set at the fair value of the shares at grant date.

The amount of expensed share options in first 9 months 2017 was NOK 8.2 million.

The fair value of the options has been calculated at grant date. The fair value of the options was calculated using the Black-Scholes model. The expected volatility for options issued in 2017 is estimated at average of 78.4%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2017 is 0.836%.

	9M 2017		FY 2016	
	No. of options	Weighted avg. excercise price (in NOK)	No. of options	Weighted avg. excercise price (in NOK)
Outstanding at 1 January	2 513 170	20.93	2 545 889	23.25
Granted during the period	1 277 000	21.53	655 000	11.82
Exercised during the period	-34 004	5.65	-78 358	4.97
Forfeited	-75 000	20.42	-601 927	22.90
Expired	-214 532	25.00	-7 434	25.00
Outstanding no. of options at end of period	**3 466 634**	**21.06**	**2 513 170**	**20.93**

The following table shows the outstanding and granted options for shares to Key Management of the Group at 30 September 2017:

Name	Position	Options				
		Exercised	Granted	Outstanding	Granted	Outstanding
		9M 2017	9M 2017	30.09.2017	FY 2016	31.12.2016
Key management:						
Øystein Soug	Chief Executive Officer		250 000	790 000	150 000	540 000
Magnus Jäderberg	Chief Medical Officer		150 000	660 000	120 000	510 000
Jon Amund Eriksen	Chief Technology Innovation Officer		60 000	220 000	-	160 000
Anne Kirsti Aksnes	VP, Clinical Development		130 000	283 000	100 000	153 000
Berit Iversen	VP, CMC	-25 000	70 000	135 000	20 000	90 000
Erik Digman Wiklund	Chief Financial Officer		150 000	150 000	-	-
Tina Madsen	VP, Quality Assurance		50 000	103 000	-	53 000
Peter Skorpil	VP, Business Development		30 000	75 000	-	45 000
Total option for shares to key management of the Group		**-25 000**	**890 000**	**2 416 000**	**390 000**	**1 551 000**
Board of directors:			-		-	
Robert Burns	Board member		-	21 235	-	21 235
Total option for shares to the Board of Directors of the Group			**-**	**21 235**	**-**	**21 235**

From 1 October 2017 to 1 November 2017 no share options have been granted to Key Management and other employees.

Restricted Stock Units

The Annual General Meeting 5 April 2017 decided to remunerate the Board of Directors for the period between the AGM 2017 to the AGM 2018 with a combination of cash and Restricted Stock Units (RSUs), hence at the 5 April 2017, an additional 43 554 RSU's were granted to the Board of Directors. When the RSUs have vested, the participant must during the following three-year period select when to take delivery of the Shares. The expensed RSUs in first nine months of 2017 was NOK 0.7 million. A total of 111 750 RSU's were outstanding at 30 September 2017.

The Board of directors may choose to receive their remuneration, or parts thereof, in the form of restricted stock units (RSUs).

The number of RSUs to be granted to the members of the Board of Directors is calculated as the NOK amount of the RSU opted portion of total compensation to the Board member, divided by the market price for the Targovax ASA share. The market price is calculated as the volume weighted average share price the 10 trading days prior to the grant date, NOK 23.88 for the grant at 5 April 2017. The RSUs will be non-transferrable and each RSU will give the right and obligation to acquire shares in Targovax ASA (at nominal value) subject to satisfaction of the applicable vesting conditions.

If the Board members choose to receive the Board remuneration in RSU's they must elect to either (i) receive 100% of the compensation in RSUs, (ii) receive 1/3 of the compensation in cash and 2/3 in RSUs, or (iii) receive 2/3 of the compensation in cash and 1/3 in RSUs. The total compensation to each member of the Board of Directors for the period 2017-2018 have been set out in the minutes from the Annual General Meeting 5 April 2017.

The following table shows the outstanding and granted RSU's to Board of Directors of the Group at 30 September 2017:

Name	Position	RSUs				
		Exercised	Granted	Outstanding	Granted	Outstanding
		9M 2017	9M 2017	30.09.2017	2016	31.12.2016
Key management:						
Diane Mellett	Board member	-	10 051	44 149	34 098	34 098
Eva-Lotta Allan	Board member	-	10 051	33 220	23 169	23 169
Bente-Lill Romøren	Board member	-	3 350	14 279	10 929	10 929
Robert Burns	Board member	-40 984	10 051	10 051	40 984	40 984
Lars Lund-Roland	Board member	-20 811	10 051	10 051	20 811	20 811
Total Restricted Stock Units to Board of Directors of the Group		**-61 795**	**43 554**	**111 750**	**129 991**	**129 991**

From 1 October 2017 to 1 November 2017 no RSUs have been granted to Board of Directors.

About Targovax

Targovax (OSE:TRVX) is a clinical stage company focused on developing and commercializing novel immuno-oncology therapies to target, primarily, treatment-resistant solid tumors. Immuno-oncology is currently one of the fastest growing therapeutic fields in medicine.

The Company's development pipeline is based on two novel proprietary platforms:

The first platform, ONCOS, uses oncolytic viruses as potential multi-target, neo-antigen therapeutic cancer vaccines. ONCOS uses an adenovirus that has been engineered to be an immune activator that selectively targets cancer cells. In phase I trials it has demonstrated immune activation at lesional level which was associated with clinical benefit. In an ongoing phase I trial in advanced melanoma we expect important proof of concept data for checkpoint inhibitor refractory patients.

The second platform, TG, are neo-antigen cancer vaccines designed to specifically treat tumors that express mutated forms of RAS. Mutations to the RAS protein are common in many cancers and are known to drive aggressive disease progression and treatment resistance. There is a high unmet medical need for therapies that are effective against tumors that express these mutations. The TG platform's therapeutic potential stems from its ability to enable the patient's immune system to identify and destroy tumors bearing any RAS mutations. In early 2017, key proof of concept data for the TG platform from a clinical trial of TG01 in resected pancreatic cancer patients showed encouraging overall survival and will give guidance for the future clinical development of this platform.

Targovax's development pipeline has three novel therapeutic candidates in clinical development covering six indications.

Both platforms are protected by an extensive portfolio of IP and know-how and have the potential to yield multiple product candidates in a cost-effective manner. Additionally, Targovax has other products in early stages of development.

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