INTERIM REPORT
Q4 AND FY 2017

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

HIGHLIGHTS FOR THE FOURTH QUARTER 2017

Research & Development

- In October, Targovax reported encouraging one-year survival rate, immune activation, and safety data for the second cohort in the TG01 phase I/II trial in resected pancreatic cancer, in line with data from the first[1] cohort published earlier in the year
- In October, Targovax was granted a product composition-of-matter patent in the US for TG02
- In December, Targovax announced that TG02 had passed the initial safety review in the first-in-man clinical trial in colorectal cancer, and also reported immune activation data in the first treated patients
- In December, Targovax announced that the two first combination trials with ONCOS-102, in melanoma and mesothelioma, both had passed their initial, planned, safety reviews

Corporate

- In November, Patrick Vink was appointed as the new chairman of the Board of Directors
- In December, Targovax was included in the OSEBX index at the Oslo Stock Exchange

POST-PERIOD HIGHLIGHTS

- In January, Targovax announced that ONCOS-102 generated immune activation in checkpoint inhibitor (CPI) refractory melanoma in four out of the first four patients treated
- Also in January, Dr. Michael Bogenstätter was appointed Chief Business Officer of Targovax
- In February, Targovax announced that the safety lead-in part of its ONCOS-102 trial in unresectable, malignant, pleural mesothelioma was completed without any safety concerns, and that ONCOS-102 generates immune activation in treated patients

[1] Previously referred to as “main” cohort

Key figures:

Amounts in NOK thousands	4Q 2017	4Q 2016	FY 2017	FY 2016
Total operating revenues	5	4	37	37
Total operating expenses	-32 450	-31 291	-119 963	-119 548
Operating profit/loss	-32 445	-31 288	-119 926	-119 511
Net financial items	-103	-711	-2 347	-3 203
Income tax	87	84	328	260
Net profit/loss	-32 461	-31 914	-121 945	-122 454
Basic and diluted EPS (NOK/share)	-0.62	-0.76	-2.58	-3.55
Net change in cash	-24 195	-20 874	89 944	-2 268
Cash and cash equivalents start of period	285 768	192 504	171 629	173 898
Cash and cash equivalents end of period	261 573	171 629	261 573	171 629

"2017 was a very productive year for Targovax, in which we made significant progress with product candidates from both of our two platforms, and completed a significant fund-raising to deliver on our ongoing clinical program. In particular, the initial clinical data from the TG01 trial in pancreatic cancer were encouraging and we look forward to the complete trial results in this challenging disease in the first half of 2018. Overall, the prospects are great for 2018, where we anticipate delivery of several clinical data readouts from ongoing trials, which we expect to further demonstrate the potential of our two immuno-oncology platforms."

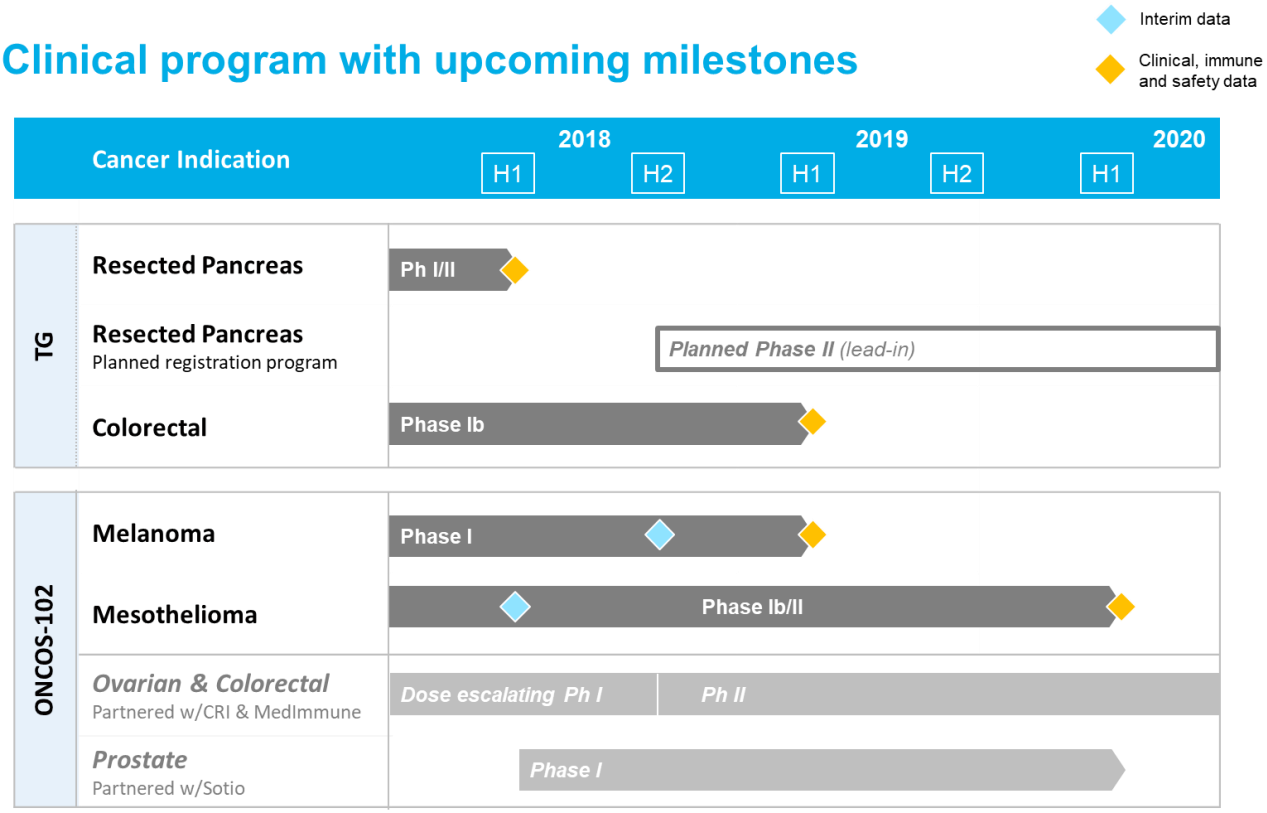
Øystein Soug,
CEO

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.

Clinical development program overview:



Clinical development programs

ONCOS-102 in checkpoint inhibitor refractory melanoma

This trial is an open-label phase I combination trial exploring safety and immune activation as well as clinical response of sequential treatment with ONCOS-102 and Keytruda® (pembrolizumab, an anti-PD1 monoclonal antibody) in patients with advanced or unresectable melanoma whose tumors have continued to grow following checkpoint inhibitor (CPI) therapy. The trial is being conducted at Memorial Sloan Kettering Cancer Center in New York, one of the world's leading clinical research sites in the field of immuno-oncology. The aim of the trial is to investigate whether these refractory patients will respond to re-challenge with a CPI following priming with ONCOS-102.

The trial plan is to include 12 patients with refractory melanoma, with the first patient having been enrolled in May 2017. Early safety and immune activation data for the first four patients were announced in December 2017 and the beginning of January 2018. The initial planned safety review passed with no reported issues, and both innate and adaptive immune activation was observed in all four patients. In addition, all four patients displayed an increase in PD-1 expression in their circulating T-cells, suggesting that their immune systems have been re-activated in such a fashion as to enhance their likelihood of responding to re-challenge with CPI therapy. More extensive clinical results from the sequential virus and CPI combination treatment are expected in the second half of 2018.

ONCOS-102 in mesothelioma

This trial is a randomized phase Ib open label trial with a safety lead-in of ONCOS-102 and pemetrexed/cisplatin, the current standard of care chemotherapy in patients with unresectable, malignant, pleural mesothelioma. The trial is planned to include six patients in a lead-in cohort (for safety evaluation of the combination) and a further approximately 24 patients in the randomized part of the trial to compare the clinical benefit of the combination treatment of ONCOS-102 with standard of care chemotherapy. The safety cohort is fully enrolled and the initial planned safety review passed with no reported issues.

TG01 in pancreatic cancer

Targovax has an ongoing open label, phase I/II clinical trial with TG01, GM-CSF, and 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 a modified 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 are being 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 of this trial. Data from this patient cohort showed that 68 percent of evaluated patients (13/19) were still alive after two years if survival is counted from time of resection (which occurred on average two months prior to first treatment) or 12/19 if counted from time of first treatment. These results represent key milestones for Targovax and will trigger the next step of clinical development.

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

In October 2017, Targovax reported one-year survival rate for the second cohort, which was found to be in line with the one-year data from the first cohort. 100 percent of patients (13/13) were alive one year after surgery with TG01/GM-CSF generating an immune response in 85 percent of patients (11/13). These results further strengthen the safety profile of TG01 and add valuable

understanding that will enable us to optimize the dosing regimen in this indication. The two-year survival data read-out for this second cohort is expected in the first half of 2018.

TG02 in colorectal cancer

TG02 is the second generation product candidate from the TG mutRAS neo-antigen vaccine platform and is currently being tested in colorectal cancer. This is an open label, non-randomized, phase Ib exploratory trial to determine safety and anti-tumor immune activation using TG02, first as monotherapy, then in combination with a checkpoint inhibitor, in patients with locally recurrent rectal cancer scheduled to have surgery. The first patient was enrolled in April 2017 and the initial planned safety review was passed with no reported issues.

Early exploratory clinical results indicate that TG02 induces immune responses in patients with high activation status of tumor-infiltrating T-cells compared to historical controls. In addition, PD-1 expression was observed in both circulating and tumor-infiltrating T-cells. This further strengthens the rationale for combining TG02 with a PD-1 checkpoint inhibitor. Based on these initial safety and immune activation findings, the Company and investigators will discuss the appropriate timing for switching into the combination part of the trial in which TG02 will be combined with the checkpoint inhibitor Keytruda®.

Clinical trials with collaboration partners

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

The first clinical trial initiated as part of this collaboration is a non-randomized, open-label, phase I/II trial which will explore the combination of lead product ONCOS-102 with MedImmune's checkpoint inhibitor durvalumab[2], an anti-PD-L1 antibody currently in development. MedImmune is the global biologics research and development arm of AstraZeneca plc. The trial will recruit up to 78 patients with advanced peritoneal disease who have failed prior standard 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 durvalumab. The trial was initiated in the third quarter of 2017 and is being conducted in the USA and sponsored by LCR on behalf of the CRI as well as being supported financially by CRI.

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. As with the LCR/CRI study, Sotio is supporting this study financially.

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

Preclinical

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

- KEYTRUDA® alone at both doses did not reduce tumor volume

[2] Durvalumab / IMFINZI™ - has been approved in urothelial cancer

- ONCOS-102 reduced volume by 51 percent
- ONCOS-102 + KEYTRUDA® reduced volume by 61 percent (lower dose) and 69 percent (higher dose)

These study data support the scientific rationale for the ongoing clinical melanoma trial of ONCOS-102 in combination with KEYTRUDA®.

IPR / Market exclusivity

Targovax owns a broad patent portfolio, which is designed to protect its pipeline and 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 attained Orphan Drug Designation for the use of 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 in any of these indications. The use of 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 therapeutic cancer vaccine candidates TG01 and TG02 for the treatment of cancer in combination with anti-metabolite chemotherapy. 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 an experienced senior management team with a strong range of backgrounds from successful biotech and global pharmaceutical companies, as well as extensive experience from management consulting.

Management team:

Name	Position
Øystein Soug	CEO
Magnus Jäderberg	CMO
Erik Digman Wiklund	CFO
Michael Bogenstätter[4]	CBO
Anne-Kirsti Aksnes	VP Clinical
Tina Madsen	VP QA
Berit Iversen	VP CMC

Board of Directors

The Board of Directors consists of seasoned professionals with a broad range of complementary competencies:

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

FINANCIAL REVIEW

Results fourth quarter 2017

In the fourth quarter 2017 and 2016, Targovax had no core business revenue.

Operating expenses amounted to NOK 32m (NOK 31m) in the quarter. The operating expenses are reported net of governmental grants, which amounted to NOK 2m in the period (NOK 1m). The net loss amounted to NOK 32m in the fourth quarter 2017 (NOK 32m).

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

[4] Michael Bogenstätter joined in January 2018

Full year 2017 results

Operating expenses amounted to NOK 120m (NOK 120m) during this period.

The operating expenses are presented net of governmental grants. The grants during the full year 2017 amounted to NOK 6m (NOK 8m).

The net loss for the period amounted to NOK 122m (NOK 122m).

Financial position and cash flow

In 2017, Targovax raised NOK 206m in new equity and the proceeds from the placement have been allocated to funding clinical trials and general corporate purposes.

Net cash was NOK 262m at the end of the fourth quarter compared to NOK 286m end of third quarter 2017 and NOK 172m at the end of 2016. The change in net cash level in 2017 was driven by the NOK 194m net capital increase in third quarter offset primarily by operating activities. Net cash flow from operating activities during the fourth quarter was negative by NOK 26m, compared to negative NOK 24m in the third quarter 2017 and NOK 23m in fourth quarter 2016.

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.

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 29 January 2018, there were 52,609,867 shares outstanding, distributed between 4,157 shareholders. The 20 largest shareholders controlled 59 percent of the shares. The estimated share ownership situation on 29 January 2018:

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	2,3	4,3 %
Statoil	Norway	1,2	2,3 %
Thorendahl Invest AS	Norway	1,0	1,9 %
Danske Bank (nom.)	Norway	0,8	1,6 %
Timmuno	Belgium	0,7	1,4 %
Prieta	Norway	0,7	1,4 %
Euroclear Bank (nom.)	Belgium	0,5	1,0 %
Sundt	Norway	0,5	1,0 %
Yngve S. Lillesund	Norway	0,3	0,6 %
DNB	Norway	0,3	0,6 %
NHO - P665AK	Norway	0,3	0,5 %
Tobech Invest AS	Norway	0,2	0,4 %
Istvan Molnar	Norway	0,2	0,4 %
Danske Bank (nom.)	Norway	0,2	0,4 %
Spar Kapital Investor AS	Norway	0,2	0,3 %
Rolf Arne Olsen	Norway	0,1	0,3 %
Peter Kenneth Zwilgmeyer	Norway	0,1	0,3 %
Top 20		**31,2**	**59,3 %**
Other shareholders (4137)		*21,4*	*40,7 %*
Total		**52,6**	**100,0 %**

During Q4 2017, Targovax shares traded in the NOK 13.90-18.20 range. During the quarter, some 13 million shares were traded, with an aggregate trading value of NOK 222m.

The closing price on 31 December 2017 was NOK 16.60 per share, corresponding to a market value of NOK 873 million.

SUBSEQUENT EVENTS

In January, Targovax announced that ONCOS-102 generates immune activation in checkpoint inhibitor refractory melanoma patients. This is the first time ONCOS-102 has been used therapeutically in melanoma patients, and also the first time the virus has been administered to CPI refractory patients. Early systemic immune activation was indicated by:

- Increase of several pro-inflammatory cytokines
- Increase of the relative level of cytotoxic CD8+ T-cells

- Increase of PD-1 expression on CD8+ T-cells

These data indicate that ONCOS-102 may induce both an innate and adaptive immune activation in CPI refractory patients. In addition, increased PD-1 expression on the surface of CD8+ T-cells after ONCOS-102 treatment suggests that the tumors may be susceptible to re-challenge with KEYTRUDA®.

In February, Targovax announced the completion of the safety lead-in cohort and preliminary immune activation data in the phase I/II trial of ONCOS-102 in mesothelioma in combination with standard of care chemotherapy. The independent Data and Safety Monitoring Board (DSMB) reviewed all six patients in the safety lead-in cohort of the trial. No concerns were raised and the DSMB recommended that the randomized part of the trial could be initiated and this has triggered recruitment of a further 24 patients.

In addition, early immune activation was assessed for a subset of the patients. Systemic release of several pro-inflammatory cytokines was observed (3/3 patients analyzed) demonstrating that the treatment triggers an innate immune response. Also, there was an increase in the relative level of tumor infiltrating cytotoxic CD8+ T-cells (2/2 patients with pre- and post-treatment biopsies analyzed) indicating an activation of the adaptive immune system in the lesions as well as suggesting that the treatment triggers changes in the tumor microenvironment. Importantly, these data suggest that the treatment of ONCOS-102 in combination with chemotherapy induces both innate and adaptive immune activation in patients. This would be consistent with the tumors becoming susceptible to an attack by the immune system.

Michael Bogenstätter was appointed Chief Business Officer of Targovax. Michael joins Targovax with 25 years' experience in biotech and big pharma. During this time, he has held senior business development and strategy positions with Sanofi, Novartis, and MSD. Michael has also worked as a consultant with The Boston Consulting Group and, most recently, has acted as an independent corporate and business development advisor to some of the world's top pharmaceutical and biotechnology companies. Michael joined Targovax in January 2018

RISKS AND UNCERTAINTY FACTORS FOR THE FOURTH 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 2017 financing round will be used to finance data readouts from clinical trials across these platforms in 2018. These results will further profile the potential of both platforms.

2018 will be an exciting year for Targovax. The TG platform will benefit from several data readouts and the Company is well placed to build on last year's encouraging signals of efficacy with TG01 and seek to commence a controlled trial in TG01 for pancreatic cancer. ONCOS-102 will have several data read-outs from its ongoing trials during the year. The results from these read-outs will guide future development decisions for the virus platform.

Oslo, 14 February 2018

The Board of Directors of Targovax ASA

Patrick Vink Chairman of the Board	Per Samuelsson Board member
Bente-Lill Romøren Board member	Jonas Einarsson Board member
Johan Christenson Board member	Robert Burns Board member
Eva-Lotta Allan Board member	Diane Mellett Board member

Øystein Soug
Chief Executive Officer

Fourth quarter and Full Year accounts 2017

Condensed consolidated statement of profit and loss

(Amounts in NOK thousands except per share data)	Note	Unaudited 4Q 2017	Unaudited 4Q 2016	Unaudited FY 2017	FY 2016
Other revenues		5	4	37	37
Total revenue		***5***	***4***	***37***	**37**
External R&D expenses	3,4	-12 210	-11 814	-45 571	-45 001
Payroll and related expenses	5,11	-13 045	-13 380	-48 278	-49 235
Other operating expenses	3,4	-7 195	-6 097	-26 114	-25 311
Total operating expenses		***-32 450***	***-31 291***	***-119 963***	**-119 548**
Operating profit/ loss (-)		**-32 445**	**-31 288**	**-119 926**	**-119 511**
Financial income		753	204	1 654	533
Financial expenses		-856	-914	-4 001	-3 736
Net financial items		**-103**	**-711**	**-2 347**	**-3 203**
Loss before income tax		**-32 548**	**-31 998**	**-122 273**	**-122 714**
Income tax expense		87	84	328	260
Loss for the period		**-32 461**	**-31 914**	**-121 945**	**-122 454**
Earnings/ loss (-) per share					
Basic and dilutive earnings/ loss (-) per share	10	-0.62	-0.76	-2.58	-3.55

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

(Amounts in NOK thousands except per share data)	4Q 2017	4Q 2016	FY 2017	FY 2016
Income / loss (-) for the period	-32 461	-31 914	-121 945	-122 454
Items that may be reclassified to profit or loss:				
Exchange differences arising from the translation of foreign operations	11 760	2 469	21 308	-16 174
Total comprehensive income/ loss (-) for the period	**-20 701**	**-29 446**	**-100 638**	**-138 628**
Total comprehensive income/ loss (-) for the period attributable to owners	**-20 701**	**-29 446**	**-100 638**	**-138 628**

Condensed consolidated statement of financial position

(Amounts in NOK thousands)	Note	Unaudited 31.12.2017	31.12.2016
ASSETS			
Intangible assets	6	366 250	338 213
Property, plant, and equipment		1 165	1 299
Total non-current assets		**367 414**	**339 512**
Receivables		14 620	14 203
Cash and cash equivalents		261 573	171 629
Total current assets		**276 193**	**185 833**
TOTAL ASSETS		**643 608**	**525 345**
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	9	5 261	4 219
Share premium reserve		821 161	627 796
Other reserves		29 276	17 055
Retained earnings		-375 466	-253 521
Translation differences		26 926	5 618
Total equity		**507 158**	**401 168**
Non-current liabilities			
Interest-bearing liabilities	7	48 806	39 714
Deferred tax		59 350	55 278
Total non-current liabilities		**108 156**	**94 992**
Current liabilities			
Accounts payable and other current liabilities		7 601	4 681
Accrued public charges		3 018	3 348
Other short-term liabilities		17 676	21 155
Total current liabilities		**28 294**	**29 185**
TOTAL EQUITY AND LIABILITIES		**643 608**	**525 345**

Condensed consolidated statement of changes in equity

(Amounts in NOK thousands)	Note	Share capital	Share premium	Other reserves	Translation differences	Retained earnings (Accumulated losses)	Total equity
Balance at 31 December 2015		**2 688**	**522 502**	**6 957**	**21 793**	**-131 067**	**422 873**
Loss for the period						-122 454	-122 454
Exchange differences arising from the translation of foreign operations					-16 174		-16 174
Other comprehensive income/loss, net of tax							-
Total comprehensive income for the period					**-16 174**	**-122 454**	**-138 628**
Issue of ordinary shares - Capital increase - Private Placement and repair offering	9	1 529	113 065				114 593
Transaction costs - Private Placement and repair offering			-7 753				-7 753
Share issuance, employee share options		2	-18	-			-16
Recognition of share-based payments	11			10 098			10 098
Balance at 31 December 2016		**4 219**	**627 796**	**17 055**	**5 618**	**-253 521**	**401 168**
Loss for the period						-121 945	-121 945
Exchange differences arising from the translation of foreign operations		-	-	-	21 308	-	21 308
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period					**21 308**	**-121 945**	**-100 638**
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			-12 256				-12 256
Share issuance, employee share options	9	10	189	-	-	-	198
Recognition of share-based payments & RSU's	11	-		12 220	-	-	12 220
Balance at 31 December 2017		**5 261**	**821 161**	**29 276**	**26 926**	**-375 466**	**507 158**

Condensed consolidated statement of cash flow

(Amounts in NOK thousands)	Note	Unaudited Q4 2017	Unaudited Q4 2016	Unaudited FY 2017	FY 2016
Cash flow from operating activities					
Loss before income tax		-32 548	-31 998	-122 273	-122 714
Adjustments for:					
Finance income		*2 046*	-550	*-1 654*	-1 241
Finance expense		-1 942	1 260	4 001	4 444
Share option expense	11	3 343	-743	12 220	10 098
Depreciation		75	71	296	284
Change in receivables		1 288	3 789	-417	-2 646
Change in other current liabilities		2 235	5 084	-919	2 085
Net cash flow from /(used in) operating activities		**-25 503**	**-23 088**	**-108 745**	**-109 690**
Cash flow from investing activities					
Purchases of property, plant, and equipment (PPE)		-	-18	-56	-37
Net cash received from/(paid in) investing activities		**-**	**-18**	**-56**	**-37**
Cash flow from financing activities					
Interest received		1 366	533	1 366	533
Interest paid	7	-201	-152	-579	-548
Other finance expense		-28	27	-93	-286
Loan from TEKES	7	-	1 360	2 992	1 360
Share issue expense - Private Placement and repair offering		-20	-24	-12 256	-7 753
Proceeds from issuance of shares -Private Placement and repair offering			378	206 465	114 593
Proceeds from exercise of options		-		198	-16
Net cash generated from financing activities		**1 116**	**2 122**	**198 093**	**107 883**
Net increase/(decrease) in cash and cash equvivalents		**-24 386**	**-20 983**	**89 292**	**-1 844**
Net exchange gain/loss on cash and cash equivalents		191	109	651	-424
Cash and cash equivalents at beginning of period		**285 768**	**192 504**	**171 629**	**173 898**
Cash and cash equivalents at end of period		**261 573**	**171 629**	**261 573**	**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 14 February 2018.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the group. These new standards and interpretations is assessed to be of no material impact for the Group in 2018.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. As at 31 December 2017, Targovax OY, located in Helsinki, Finland, is a 100% owned and controlled subsidiary. Oncos Therapeutics AG, which was a 100% owned subsidiary of Targovax OY has been fully liquidated in fourth quarter 2017.

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 in the next twelve months as of 14 February 2018. 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)	4Q 2017		4Q 2016		FY 2017		FY 2016	
	Total	of which R&D	Total	of which R&D	Total	of which R&D	Total	of which R&D
External R&D expenses	12 210	12 210	11 814	11 814	45 571	45 571	45 001	45 001
Payroll and related expenses	13 045	10 338	13 380	8 359	48 278	30 045	49 235	24 449
Other operating expenses	7 195	347	6 097	9	26 114	1 217	25 311	970
Total	**32 450**	**22 895**	**31 291**	**20 182**	**119 963**	**76 833**	**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)	4Q 2017	4Q 2016	FY 2017	FY 2016
External R&D expenses	1 239	937	4 387	6 068
Payroll and related expenses	444	124	1 261	1 640
Other operating expenses	43	12	124	67
Total	**1 726**	**1 073**	**5 772**	**7 774**

R&D projects have been approved for SkatteFUNN for the period 2011 through 2019. For the full year and fourth quarter 2017, the Group has recognized NOK 5,0m and NOK 1,7m 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)	4Q 2017	4Q 2016	FY 2017	FY 2016
Salaries and bonus	8 300	12 331	30 043	33 659
Employer's national insurance contributions	1 090	1 040	4 277	3 640
Share-based compensation [1)]	3 343	-743	12 220	10 098
Pension expenses – defined contribution plan	490	528	1 982	2 394
Other	265	348	1 016	1 084
Governmental grants	-444	-124	-1 261	-1 640
Total payroll and related expenses	**13 045**	**13 380**	**48 278**	**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	26.2
Number of employees as at end of period			27	27

6. Intangible assets

As of 31 December 2017, the recognized intangible assets in the Group amounts to NOK 366m. 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 31 December 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 fourth quarter of 2017 and NOK 3.3m during the full year 2017.

No new TEKES loans have been awarded during fourth 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)	FY 2017		FY 2016	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	14 620	14 620	14 203	14 203
Cash and cash equivalents	261 573	261 573	171 629	171 629
Total financial assets	**276 193**	**276 193**	**185 833**	**185 833**
Interest-bearing borrowings	48 806	48 806	39 714	39 714
Accounts payable and other current liabilities	7 601	7 601	4 681	4 681
Accrued public charges	3 018	3 018	3 348	3 348
Other short-term liabilities	17 676	17 676	21 155	21 155
Total financial liabilities	**77 100**	**77 100**	**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 31 December 2017:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	48 806	48 806
Total financial instruments at fair value	**-**	**-**	**48 806**	**48 806**

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.

Share capital as at 31 December 2017 is 5 260 986.7 (31 December 2016: 4 219 080) comprising 52 609 867 ordinary shares at nominal value NOK 0.10 (31 December 2016: 42 190 800 at NOK 0.10). All shares carry equal voting rights.

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

	Q4 2017	Q4 2016	FY 2017	FY 2016
Ordinary shares at beginning of period	52 609 867	42 134 001	42 190 800	26 883 808
Share issuance - private placement and repair offering	-	-	10 323 268	15 228 634
Share issuance, employee share options and RSU's	-	56 799	95 799	78 358
Ordinary shares at end of period	**52 609 867**	**42 190 800**	**52 609 867**	**42 190 800**

The 20 largest shareholders are as follows at 31 December 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	1 500 108	2.9 %
Verdipapirfondet KLP AksjeNorge	1 130 855	2.1 %
Thorendahl Invest AS	1 000 000	1.9 %
Nordnet Bank AB	871 209	1.7 %
Statoil Pensjon	855 171	1.6 %
Danske Bank AS	820 104	1.6 %
Kommunal Landspensjonskasse	802 252	1.5 %
Euroclear Bank S.A./N.V.	730 266	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	656 600	1.2 %
Sundt AS	550 000	1.0 %
Lillesund	350 000	0.7 %
KLP AksjeNorge Indeks	347 833	0.7 %
Avanza Bank AB	305 717	0.6 %
20 largest shareholders	**32 217 843**	**61.2 %**
Other shareholders (4 061)	20 392 024	38.8 %
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 31 December 2017:

Name	Position	No. of shares outstanding at 31 December 2017	
Key management:			
Øystein Soug	Chief Executive Officer	109 598	1)
Berit Iversen	VP, CMC	20 087	
Magnus Jäderberg	Chief Medical Officer	20 000	
Anne-Kirsti Aksnes	VP, Clinical Development	12 000	
Peter Skorpil	VP, Business Development	10 000	
Tina Madsen	VP, Quality Assurance	6 300	
Total no. of shares owned by key management of the Group		**177 985**	
Board of directors:			
Robert Burns	Board member	64 928	
Total no. of shares owned by the Board of Directors of the Group		**64 928**	

1 The shares are held through Abakus Invest AS.

Other holdings of shares in the company related to the Board of Directors:
Jonas Einarsson, Member of the Board, 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	Q4 2017	Q4 2016	FY2017	FY 2016
Loss for the period	-32 461	-31 914	-121 945	-122 454
Average number of outstanding shares during the period	52 610	42 162	47 254	34 528
Earnings/ loss per share - basic and diluted	**-0.62**	**-0.76**	**-2.58**	**-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 2016 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. A renewed authorization was given at the Ordinary general meeting in April 2017.

On the basis of the approval by the Annual General Meeting the Board has resolved to issue new options to employees of the Company.

In 2017 a total of 830,000 options for shares of the Company have been distributed amongst the current members of the executive management and a total of 447,000 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 general 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 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.

The amount of expensed share options in full year 2017 was NOK 11.3 million.

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 78,39 %%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2017 is 0,8400 %

The following table shows the changes in outstanding options in 2017 and 2016:

	FY 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 exercised, granted and outstanding options for shares to Key Management of the Group at 31 December 2017:

Name	Position	Options				
		Exercised	Granted	Outstanding	Granted	Outstanding
		FY 2017	FY 2017	31.12.2017	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
Anne Kirsti Aksnes	VP, Clinical Development		130 000	283 000	100 000	153 000
Erik Digman Wiklund	Chief Financial Officer		150 000	150 000	-	-
Berit Iversen	VP, CMC	-25 000	70 000	135 000	20 000	90 000
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**	**830 000**	**2 196 000**	**390 000**	**1 391 000**
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 January 2018 to 14 February 2018 new share options have been granted to Key Management and other employees, see Note 12. Subsequent events.

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 RSUs 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. At 30 November 2017 additional 11 131 RSUs were granted to the new Chairman of the Board. The expensed RSUs in full year 2017 was NOK 0.9 million. A total of 119 411 RSUs was outstanding at 31 December 2017, of which 112 830 RSUs were outstanding to the Board of Directors of the Group at 31 December 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 and NOK 14.62 for the grant at 30 November to the new Chairman of the Board. 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 RSUs 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 exercised, granted and outstanding RSUs to Board of Directors of the Group at 31 December 2017:

Name	Position	RSUs				
		Exercised FY 2017	Granted FY 2017	Outstanding 31.12.2017	Granted FY 2016	Outstanding 31.12.2016
Board of Directors:						
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
Patrick Vink	Chairman of the Board	-	11 131	11 131	-	-
Robert Burns	Board member	-40 984	10 051	10 051	40 984	40 984
Total Restricted Stock Units to Board of Directors of the Group		**-40 984**	**44 634**	**112 830**	**109 180**	**109 180**

From 1 January 2018 to 14 February 2018 no RSUs have been granted to Board of Directors.

12. Subsequent events

Establishment of new subsidiary in USA

At 1st January 2018 Targovax ASA established a 100% owned subsidiary in USA, Targovax Solutions LLC. The company has one employee, Michael Bogenstätter, appointed as CBO of Targovax.

Share based payments

On the basis of the approval by the Annual General Meeting on 5 April 2017 the Board has resolved to issue further new options to employees of the Company. From 1 January 2018 to 14 February 2018 a total of 890,000 options for shares of the Company were distributed amongst the members of the executive management and a total of 310,500 options for shares of the Company were distributed amongst other employees.

The following table shows the changes in outstanding options at 14 February 2018 and 31 December 2017:

	1 Jan - 14 Feb 2018		FY 2017	
	No. of options	Weighted avg. excercise price (in NOK)	No. of options	Weighted avg. excercise price (in NOK)
Outstanding at 1 January	3 466 634	21.06	2 513 170	20.93
Granted during the period	1 200 500	17.08	1 277 000	21.53
Exercised during the period	-	-	-34 004	5.65
Forfeited	-	-	-75 000	20.42
Expired	-	-	-214 532	25.00
Outstanding no. of options at end of period	**4 667 134**	**20.03**	**3 466 634**	**21.06**

The following table shows the changes in outstanding options for shares to Key Management of the Group at 14 February 2018:

Name	Position	Options		
		Outstanding 31.12.2017	Granted 01.01.2018-14.02.2018	Outstanding 14.02.2018
Key management:				
Øystein Soug	Chief Executive Officer	790 000	220 000	1 010 000
Magnus Jäderberg	Chief Medical Officer	660 000	100 000	760 000
Anne Kirsti Aksnes	VP, Clinical Development	283 000	70 000	353 000
Erik Digman Wiklund	Chief Financial Officer	150 000	150 000	300 000
Michael Bogenstätter	Chief Business Officer	-	230 000	230 000
Berit Iversen	VP, CMC	135 000	60 000	195 000
Tina Madsen	VP, Quality Assurance	103 000	60 000	163 000
Total option for shares to key management of the Group		**2 121 000**	**890 000**	**3 011 000**
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**

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 combination trial in advanced melanoma we are seeking important proof of concept data for checkpoint inhibitor refractory patients.

The second platform, TG, uses 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 develop a cellular response with the potential 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 is already providing 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 Intellectual Property (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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