INTERIM REPORT

2Q and 1H 2017

Interim report second quarter and first half 2017

Strong momentum positions Targovax well for the second half of 2017 – encouraging clinical results from the TG platform, clinical trials initiated across the development pipeline, strengthening of the management team, and a successful private placement

HIGHLIGHTS FOR THE SECOND QUARTER AND FIRST HALF 2017

R&D

- In February, Targovax announced encouraging top line two-year survival data from the phase I/II TG01 clinical trial in resected pancreatic cancer patients
    - 68 percent[1] of evaluated patients (13/19) were still alive after two years

- Further encouraging clinical data from the phase I/II TG01 trial were presented at the 2017 ASCO Annual Meeting in June:
    - TG01 activates mutant RAS specific T cells
    - Median overall survival of 33.1 months was promising in view of previous published reports of 27.6 months for standard of care
    - The regimen was generally well tolerated

- In April, Targovax initiated the first clinical trial with TG02, the second product from its RAS-peptide immunotherapy platform, in patients with locally recurrent RAS-mutated colorectal cancer

- In May, Targovax recruited the first patient in its ONCOS-102 study in advanced or unresectable melanoma patients with progression following checkpoint inhibitor treatment

Finance

- Targovax moved its share listing from Oslo Axess to the main board on the Oslo Stock Exchange in March

- Targovax successfully completed a private placement, raising gross proceeds of NOK 200m (USD 25m)

- Erik Digman Wiklund was appointed CFO of Targovax, succeeding Øystein Soug, who was promoted to CEO in November 2016. Erik took on the role in April 2017

[1] Survival is counted from time of resection, which occurred on average two months prior to first treatment

POST-PERIOD HIGHLIGHTS

- In July, Targovax raised NOK 6.4m (USD 0.8m) in a subsequent repair offering following the private placement in June

Key figures:

Amounts in NOK thousands	2Q 2017	2Q 2016	1H 2017	1H 2016	2016
Total operating revenues	6	-	11	-	37
Total operating expenses	-33 844	-32 439	-60 922	-63 415	-119 548
Operating profit/loss	-33 838	-32 439	-60 911	-63 415	-119 511
Net financial items	-185	-1 000	-565	-1 554	-3 203
Income tax	82	-12	157	62	260
Net profit/loss	-33 941	-33 450	-61 319	-64 907	-122 454
Basic and diluted EPS (NOK/share)	-0.80	-1.24	-1.45	-2.41	-3.55
Net change in cash	-31 675	-33 634	-55 808	-66 646	-2 268
Cash and cash equivalents start of period	147 497	140 885	171 629	173 898	173 898
Cash and cash equivalents end of period	115 821	107 251	115 821	107 251	171 629

Proceeds from the June capital raise were received by Targovax after end of Q2.

Øystein Soug, CEO said: "In the first half of 2017, the Company took significant strides forward, demonstrating important clinical and financial progress, as well as strengthening our team with the hire of Erik Digman Wiklund as CFO. We are especially pleased by the recent data showing a signal of efficacy of TG01 in patients with resected pancreatic cancer, which is an important milestone for the TG program. Combined with the successful fund raising this summer of NOK 206 million (approx. $26 million), we believe we are well positioned to deliver several important clinical read-outs going forward."

About Targovax

Targovax 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 exclusively uses an adenovirus that has been engineered to be an immune activator that selectively targets cancer cells. In phase I studies 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, TG, is a target specific, neo-antigen therapeutic cancer vaccine platform that *solely targets tumors that express mutated forms of the RAS protein. Mutations to this 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 a patient's immune system to identify and then 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.

In July 2016, the Company listed its shares on Oslo Axess. In March 2017, the shares moved to Oslo Børs, the main Oslo Stock Exchange.

OPERATIONAL REVIEW

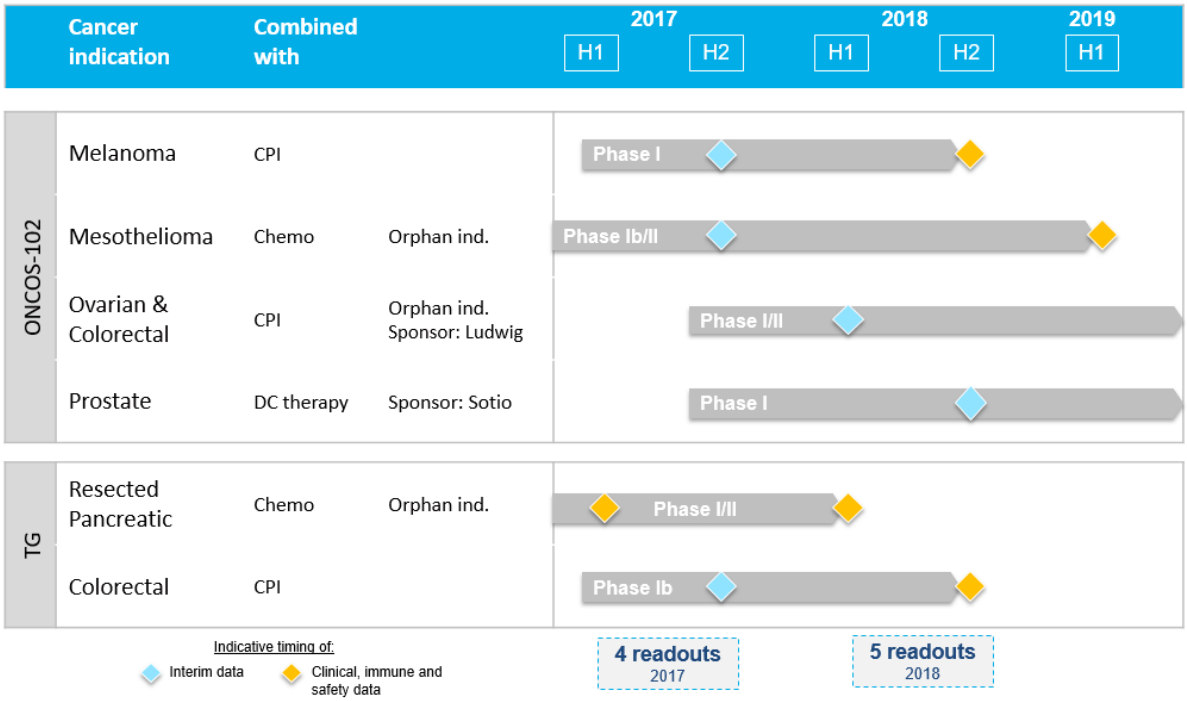
During the period, Targovax continued development of its product candidates, both through its own clinical trials and through collaborations.

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 inhibitor (CPI) or other immune therapies ongoing or about to start
- **eight important** readouts anticipated by the end of 2018

Clinical development program



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® (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. The first patient was enrolled in May 2017. Results, potentially establishing proof of concept in refractory melanoma, are expected in 2018. Preliminary immune activation 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 pemetrexed/cisplatin, the standard of care chemotherapy in patients with unresectable malignant pleural meso-thelioma. 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 tumor targeted immune activation of 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 in combination with GM-CSF[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 a modified vaccination schedule. The primary objective of the study 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.

In March 2015, Targovax showed that TG01, administered in combination with gemcitabine, induced and enhanced mutant RAS specific T-cell immune responses.

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

In February 2017, Targovax announced encouraging top line two-year survival data from its TG01 clinical trial in resected pancreatic cancer patients. Data from this patient cohort showed that 68 percent of evaluated patients, or

[2] TG01 and TG02 are administered together with GM-CSF

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) or 12/19 if counted from time of 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 several prior clinical 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/GM-CSF generated early immune responses in 89 percent of patients (17/19) with resected pancreatic cancer. 95 percent of patients (18/19) showed immune activation in either DTH and/or PBMC tests. This demonstrates that TG01 vaccination activates 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

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

TG02 in colorectal cancer

TG02 is the second TG cancer immune activator to enter the clinic from the Company's RAS-peptide immune-therapy platform. 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®.

Currently, the plan is to include the 20 patients in Australia and New Zealand. The first patient was enrolled in April 2017.

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 to be 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 CPI, durvalumab, a PD-L1 monoclonal antibody antagonist currently in development. 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 durvalumab with intraperitoneal delivery of ONCOS-102. 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.

Through these collaborations, Targovax is able 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 financial support. The plan is to recruit the first patients in both these trials during the second half of 2017.

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 products 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 previously 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.

Experienced team

Targovax has a highly 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

CFO appointed

In January, Targovax announced the appointment of Erik Digman Wiklund as the Company's new Chief Financial Officer, who took up this role in April. Erik joins Targovax from the biotech company Aker Biomarine Antarctic, where he held the position of Director of Product Innovation. He also brings senior business experience from Algeta and McKinsey & Company.

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,

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

[4] CTIO – Chief Technology Innovation Officer

Robert Burns, Lars Lund-Roland, Eva-Lotta Allan, and Diane Mellett.

FINANCIAL REVIEW

Results second quarter 2017

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

Operating expenses amounted to NOK 34m (NOK 32m) in the quarter. The operating expenses are reported net of governmental grants, which amounted to NOK 1m in the period (NOK 2m). The net loss amounted to NOK 34m in the second quarter 2017 (NOK 33m).

Results first half 2017

Operating expenses amounted to NOK 61 during the first half of 2017, compared to NOK 63m in the first half of 2016.

The net loss for the half year amounted to NOK 61m (NOK 65m).

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. In July 2017, Targovax raised an additional NOK 6m in a subsequent repair offering. Proceeds from the June capital raise were received by Targovax after the end of Q2.

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

Net cash was NOK 116m at the end of the second quarter, compared to NOK 107m at the end of the second quarter 2016 and NOK 147m at the end of the first quarter 2017. Net cash flow from operating activities during the second quarter was negative by NOK 32m, compared to negative NOK 34m in the second quarter 2016 and NOK 27m in first quarter 2017.

In 2017, TEKES the Finnish Funding Agency for Technology and Innovation, issued an additional EUR 0.3m tranche on an existing TEKES 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 15 August 2017, there were 52,564,381 shares outstanding, distributed between 3880 shareholders. The 20 largest shareholders controlled 60.4 percent of the shares. The estimated share ownership situation on 15 August 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	1,8	3,4 %
Statoil	Norway	1,2	2,2 %
Rasmussengruppen	Norway	1,0	1,9 %
Danske Bank (nom.)	Norway	0,8	1,6 %
Euroclear Bank (nom.)	Belgium	0,8	1,4 %
Timmuno	Norway	0,7	1,4 %
Prieta AS	Norway	0,7	1,4 %
Thorendahl Invest AS	Norway	0,7	1,3 %
Sundt AS	Norway	0,7	1,2 %
The Bank of NY Mellon (nom.)	Belgium	0,3	0,6 %
ABN Amro Global (nom.)	Netherland	0,3	0,5 %
Norda ASA	Norway	0,3	0,5 %
NHO - P665AK	Norway	0,3	0,5 %
Yngve S. Lillesund	Norway	0,2	0,4 %
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 %
Top 20		**31,8**	**60,4 %**
Other shareholders (3860)		*20,8*	*39,6 %*
Total		**52,6**	**100,0 %**

During Q2 2017, Targovax-shares traded in the NOK 18.10-28.57 range. During the quarter, some 16 million shares were traded, with an aggregate trading value of NOK 382m.

The closing price on 21 August 2017 was NOK 19.20 per share, corresponding to a market value of NOK 1 billion.

Subsequent events

Following the private placement in June, the company completed a subsequent offering, 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.

Risks and uncertainty factors for the second half 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 on www.targovax.com.

OUTLOOK

Targovax remains focused on progressing its two platforms, which represent two distinct novel and potentially complementary approaches to treating different cancer indications.

The net proceeds from the recently completed private placement will be used to support five additional data readouts from clinical trials through 2018, as well as the three anticipated[5] data readouts during the second half of 2017. The Company will also focus on selective process development and manufacturing in preparation for future pivotal clinical studies conducted either on its own or in collaboration.

Targovax made exciting progress on its TG platform in the first half of 2017. The encouraging data from the TG01 phase I/II trial provides a signal of efficacy for the treatment of pancreatic cancer supporting further advancing of the TG clinical development program.

The recent initiations of the Company's TG02 study in colorectal cancer and the ONCOS-102 study in advanced

[5] The indicative nature and timing of read-outs is not exact and depends on many external factors – this uncertainty applies particularly to collaborative trials.

melanoma patients will potentially deliver important proof-of-concept and efficacy data in 2018. The results of the TG02 study are expected to provide mechanistic validation for the entire TG platform, and results from the ONCOS-102 study could potentially establish proof of concept in checkpoint inhibitor refractory melanoma patients – a significant unmet clinical need.

Targovax remains confident in the value of its two therapeutic platforms and is keenly anticipating the clinical data read-outs in the months and years ahead.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 30 June 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair view of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Oslo, 23 August 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

Second quarter and first half year accounts 2017

Condensed consolidated statement of profit and loss

(Amounts in NOK thousands except per share data)	Note	Unaudited 2Q 2017	Unaudited 2Q 2016	Unaudited 1H 2017	Unaudited 1H 2016	2016
Other revenues		6	-	11	-	37
Total revenue		***6***		***11***		**37**
External R&D expenses	3,4	-13 962	-11 679	-22 754	-22 497	-45 001
Payroll and related expenses	5,11	-12 555	-12 287	-23 662	-25 485	-49 235
Other operating expenses	3,4	-7 327	-8 473	-14 506	-15 433	-25 311
Total operating expenses		***-33 844***	***-32 439***	***-60 922***	***-63 415***	**-119 548**
Operating profit/ loss (-)		**-33 838**	**-32 439**	**-60 911**	**-63 415**	**-119 511**
Financial income		1 311	174	3 345	455	1 241
Financial expenses		-1 495	-1 174	-3 910	-2 009	-4 444
Net financial items		**-185**	**-1 000**	**-565**	**-1 554**	**-3 203**
Loss before income tax		**-34 023**	**-33 439**	**-61 476**	**-64 969**	**-122 714**
Income tax expense		82	-12	157	62	260
Loss for the period		**-33 941**	**-33 450**	**-61 319**	**-64 907**	**-122 454**
Earnings/ loss (-) per share						
Basic and dilutive earnings/ loss (-) per share	10	-0.80	-1.24	-1.45	-2.41	-3.55

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

(Amounts in NOK thousands except per share data)	2Q 2017	2Q 2016	1H 2017	1H 2016	2016
Income / loss (-) for the period	-33 941	-33 450	-61 319	-64 907	-122 454
Items that may be reclassified to profit or loss:					
Exchange differences arising from the translation of foreign operations	11 427	-3 333	14 259	-10 068	-16 174
Total comprehensive income/ loss (-) for the period	**-22 515**	**-36 783**	**-47 060**	**-74 975**	**-138 628**
Total comprehensive income/ loss (-) for the period attributable to owners	**-22 515**	**-36 783**	**-47 060**	**-74 975**	**-138 628**

Condensed consolidated statement of financial position

(Amounts in NOK thousands)	Note	Unaudited 30.06.2017	Unaudited 30.06.2016	31.12.2016
ASSETS				
Intangible assets	6	356 252	346 211	338 213
Property, plant, and equipment		1 277	1 436	1 299
Total non-current assets		**357 529**	**347 647**	**339 512**
Receivables		16 482	17 124	14 203
Cash and cash equivalents		115 821	107 251	171 629
Total current assets		**132 303**	**124 375**	**185 833**
TOTAL ASSETS		**489 832**	**472 022**	**525 345**
EQUITY AND LIABILITIES				
Shareholders equity				
Share capital	9	4 224	2 691	4 219
Share premium reserve		627 800	522 484	627 796
Other reserves		22 361	15 973	17 055
Retained earnings		-314 840	-195 974	-253 521
Translation differences		19 878	11 725	5 618
Total equity		**359 423**	**356 897**	**401 168**
Non-current liabilities				
Interest-bearing liabilities	7	45 707	38 243	39 714
Deferred tax		57 956	56 688	55 278
Total non-current liabilities		**103 662**	**94 931**	**94 992**
Current liabilities				
Accounts payable and other current liabilities		8 223	3 588	4 681
Accrued public charges		3 025	2 413	3 348
Other short-term liabilities		15 499	14 192	21 155
Total current liabilities		**26 747**	**20 194**	**29 185**
TOTAL EQUITY AND LIABILITIES		**489 832**	**472 022**	**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						-64 907	-64 907
Exchange differences arising from the translation of foreign operations					-10 068		-10 068
Other comprehensive income/loss, net of tax							-
Total comprehensive income for the period					**-10 068**	**-64 907**	**-74 975**
Share issuance, employee share options		2	-18	-	-	-	-16
Recognition of share-based payments	11			9 015			9 015
Balance at 30 June 2016		**2 691**	**522 484**	**15 973**	**11 725**	**-195 974**	**356 897**
Loss for the period						-57 546	**-57 546**
Exchange differences arising from the translation of foreign operations					-6 106		**-6 106**
Other comprehensive income/loss, net of tax							-
Total comprehensive income for the period					**-6 106**	**-57 546**	**-63 653**
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	9			-		-	-
Recognition of share-based payments & RSU's	11	-	-	1 082	-	-	1 082
Balance at 31 December 2016		**4 219**	**627 796**	**17 055**	**5 618**	**-253 521**	**401 168**
Loss for the period						-61 319	-61 319
Exchange differences arising from the translation of foreign operations		-	-	-	14 259	-	14 259
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period					**14 259**	**-61 319**	**-47 060**
Share issuance, employee share options	9	5	4	-	-	-	9
Recognition of share-based payments & RSU's	11	-	-	5 306	-	-	5 306
Balance at 30 June 2017		**4 224**	**627 800**	**22 361**	**19 878**	**-314 840**	**359 423**

Condensed consolidated statement of cash flow

(Amounts in NOK thousands)	Note	Unaudited 2Q 2017	Unaudited Q2 2016	Unaudited 1H 2017	Unaudited 1H 2016	FY 2016
Cash flow from operating activities						
Loss before income tax		-34 023	-33 439	-61 476	-64 969	-122 714
Adjustments for:						
Finance income		*-1 311*	*-174*	*-3 345*	*-455*	-1 241
Finance expense		1 495	1 174	3 910	2 009	4 444
Share option expense	11	3 475	4 471	5 306	9 015	10 098
Depreciation		75	73	146	142	284
Change in receivables		-1 510	-1 783	-2 278	-5 567	-2 646
Change in other current liabilities		-440	-3 923	-1 496	-6 736	2 085
Net cash flow from /(used in) operating activities		**-32 238**	**-33 602**	**-59 233**	**-66 560**	**-109 690**
Cash flow from investing activities						
Purchases of property, plant, and equipment (PPE)		-56	-	-56	-19	-37
Net cash received from/(paid in) investing activities		**-56**		**-56**	**-19**	**-37**
Cash flow from financing activities						
Interest received		-	-	-	-	533
Interest paid	7	-	-15	-207	-228	-548
Other finance expense		-22	-93	-46	-93	-286
Loan from TEKES	7	-	-	2 992	-	1 360
Share issue expense - Private Placement and repair offering		-	-	-	-	-7 753
Proceeds from issuance of shares -Private Placement and repair offering		-	-	-	-	114 593
Proceeds from exercise of options		35	-16	9	-16	-16
Net cash generated from financing activities		**13**	**-124**	**2 748**	**-338**	**107 883**
Net increase/(decrease) in cash and cash equvivalents		**-32 280**	**-33 726**	**-56 541**	**-66 917**	**-1 844**
Net exchange gain/loss on cash and cash equivalents		605	92	733	270	-424
Cash and cash equivalents at beginning of period		**147 497**	**140 885**	**171 629**	**173 898**	**173 898**
Cash and cash equivalents at end of period		**115 821**	**107 251**	**115 821**	**107 251**	**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 23 August, 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 June 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 23 August 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)	2Q 2017		2Q 2016		1H 2017		1H 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	13 962	13 962	11 679	11 679	22 754	22 754	22 497	22 497	45 001	45 001
Payroll and related expenses	12 555	6 750	12 287	6 654	23 662	13 414	25 485	11 977	49 235	24 449
Other operating expenses	7 327	266	8 473	444	14 506	720	15 433	600	25 311	970
Total	***33 844***	***20 978***	***32 439***	***18 777***	***60 922***	***36 888***	***63 415***	***35 074***	***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)	2Q 2017	2Q 2016	1H 2017	1H 2016	2016
External R&D expenses	862	1 883	2 462	4 605	6 068
Payroll and related expenses	250	446	640	1 270	1 640
Other operating expenses	15	31	79	37	67
Total	***1 128***	***2 360***	***3 181***	***5 912***	***7 774***

R&D projects have been approved for SkatteFunn for the period 2011 through 2019. For the first half and second quarter 2017, the Group has recognized NOK 2.4m and NOK 1.2m 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)	2Q 2017	2Q 2016	1H 2017	1H 2016	2016
Salaries and bonus	7 679	6 905	15 334	14 253	33 659
Employer's national insurance contributions	713	825	2 075	1 705	3 640
Share-based compensation [1)]	3 475	4 471	5 306	9 015	10 098
Pension expenses – defined contribution plan	502	472	1 001	1 228	2 394
Other	436	60	586	554	1 084
Governmental grants	-250	-446	-640	-1 270	-1 640
Total payroll and related expenses	**12 555**	**12 287**	**23 662**	**25 485**	**49 235**
1) Share-based compensation has no cash effect.					

Number of employees calculated on a full-time basis as at end of period	27.7	26.7	27.7	26.7	26.2
Number of employees as at end of period	28	27	28	27	27

6. Intangible assets

As of 30 June 2017 the recognized intangible assets in the Group amounts to NOK 356m. 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 June 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 0.8m during the second quarter of 2017 and NOK 1.6m during first half of 2017.

No new TEKES loans have been awarded during second 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)	1H 2017		1H 2016		FY 2016	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	16 482	16 482	17 124	17 124	14 203	14 203
Cash and cash equivalents	115 821	115 821	107 251	107 251	171 629	171 629
Total financial assets	**132 303**	**132 303**	**124 375**	**124 375**	**185 833**	**185 833**
Interest-bearing borrowings	45 707	45 707	38 243	38 243	39 714	39 714
Accounts payable and other current liabilities	8 223	8 223	3 588	3 588	4 681	4 681
Accrued public charges	3 025	3 025	2 413	2 413	3 348	3 348
Other short-term liabilities	15 499	15 499	14 192	14 192	21 155	21 155
Total financial liabilities	**72 453**	**72 453**	**58 437**	**58 437**	**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 June 2017:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	45 707	45 707
Total financial instruments at fair value	**-**	**-**	**45 707**	**45 707**

As at 30 June 2016:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	38 243	38 243
Total financial instruments at fair value	**-**	**-**	**38 243**	**38 243**

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

Share capital as at 30 June 2017 is 4 224 111,30 (30 June 2016: 2 690 536.7) comprising 42 241 113 ordinary shares at nominal value NOK 0.10 (30 June 2016: 26 905 367 at NOK 0.10). All shares carry equal voting rights.

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

	Q2 2017	Q2 2016	6M 2017	6M 2016	FY 2016
Ordinary shares at beginning of period	42 199 719	26 883 808	42 190 800	26 883 808	26 883 808
Share issuance - private placement and repair offering	-	-	-	-	15 228 634
Aquisition of Oncos Therapeutics OY	-	-	-	-	-
Share issuance, employee share options	41 394	21 559	50 313	21 559	78 358
Ordinary shares at end of period	**42 241 113**	**26 905 367**	**42 241 113**	**26 905 367**	**42 190 800**

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

Shareholder	# shares	%
HealthCap	10 989 402	26.0 %
Radiumhospitalets Forskningsstiftelse	3 452 255	8.2 %
Nordnet Livsforsikring AS	1 425 323	3.4 %
VPF Nordea Avkastning	1 106 582	2.6 %
VPF Nordea Kapital	1 046 754	2.5 %
Danske Bank AS	832 625	2.0 %
Nordnet Bank AB	776 131	1.8 %
Verdipapirfondet KLP AksjeNorge	748 071	1.8 %
Timmuno AS	724 650	1.7 %
Prieta AS	720 000	1.7 %
Statoil Pensjon	668 916	1.6 %
Kommunal Landspensjonskasse	527 370	1.2 %
Verdipapirfondet Nordea Norge Plus	412 903	1.0 %
ABN AMRO Global Custody Services N .V.	406 641	1.0 %
Nordea 1 SICAV	373 618	0.9 %
Avanza Bank AB	328 177	0.8 %
Thorendahl Invest AS	310 000	0.7 %
Sundt AS	300 000	0.7 %
Netfonds Livsforsikring AS	257 172	0.6 %
The Bank of New York Mellon SA/NV	221 331	0.5 %
20 largest shareholders	**25 627 921**	**60.7 %**
Other shareholders (3 893)	16 613 192	39.3 %
Total shareholders	**42 241 113**	**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 June 2017:

Name	Position	No. of shares outstanding at 30 June 2017
Key management:		
Jon Amund Eriksen	Chief Technology Innovation Officer	728 601 [1)]
Øystein Soug	Chief Executive Officer	100 000 [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	7 587
Tina Madsen	VP, Quality Assurance	6 300
Total no. of shares owned by key management of the Group		**884 488**
Board of directors:		
Robert Burns	Board member	34 063
Lars Lund-Roland	Board member	20 811
Total no. of shares owned by the Board of Directors of the Group		**54 874**

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	Q2 2017	Q2 2016	6M2017	6M2016	FY 2016
Loss for the period	-33 941	-33 450	-61 319	-64 907	-122 454
Average number of outstanding shares during the period	42 220	26 895	42 216	26 895	34 528
Earnings/ loss per share - basic and diluted	**-0.80**	**-1.24**	**-1.45**	**-2.41**	**-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.

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 Børs 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.

In second quarter 2017 a total of 920,000 options for shares of the Company were distributed amongst the members of the executive management and a total of 320,000 options for shares of the Company were 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.

The amount of expensed share options in first half 2017 was NOK 4.9 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%.

	1H 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	-29 502	6.43	-78 358	4.97
Forfeited	-61 645	19.43	-601 927	22.90
Expired	-164 435	25.00	-7 434	25.00
Outstanding no. of options at end of period	**3 534 588**	**21.10**	**2 513 170**	**20.93**

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

Name	Position	Options					
		Exercised	Forfeited	Granted	Outstanding	Granted	Outstanding
		1H 2017	1H 2017	1H 2017	30.06.2017	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
Tiina Hakonen [1)]	Site Manager Helsinki		61 645	30 000	13 355	20 000	45 000
Total option for shares to key management of the Group		**25 000**	**61 645**	**920 000**	**2 429 355**	**410 000**	**1 596 000**
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 July 2017 to 23 August 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 half 2017 was NOK 0.4 million. A total of 152 734 RSU's were outstanding at 30 June 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 June 2017:

Name	Position	RSUs				
		Exercised	Granted	Outstanding	Granted	Outstanding
		1H 2017	1H 2017	30.06.2017	2016	31.12.2016
Key management:						
Robert Burns	Board member	-	10 051	51 035	40 984	40 984
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
Lars Lund-Roland	Board member	-20 811	10 051	10 051	20 811	20 811
Bente-Lill Romøren	Board member	-	3 350	14 279	10 929	10 929
Total Restricted Stock Units to Board of Directors of the Group		**-20 811**	**43 554**	**152 734**	**129 991**	**129 991**

From 1 July 2017 to 23 August 2017 no RSUs have been granted to Board of Directors.

12. Subsequent events

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.

Changes in shareholders subsequent to June 30 2017

After the private placement in June and the subsequent offering in third quarter 2017, the 20 largest shareholders are as follows at 15 August 2017:

Shareholder	# shares	%
HealthCap	12 405 584	23.6 %
Radiumhospitalets Forskningsstiftelse	4 427 255	8.4 %
VPF Nordea Kapital	1 746 754	3.3 %
VPF Nordea Avkastning	1 556 582	3.0 %
Nordnet Livsforsikring AS	1 495 773	2.8 %
Verdipapirfondet KLP AksjeNorge	998 071	1.9 %
Nordnet Bank AB	870 639	1.7 %
Statoil Pensjon	857 216	1.6 %
Danske Bank AS	833 358	1.6 %
Kommunal Landspensjonskasse	777 370	1.5 %
Euroclear Bank S.A./N.V.	750 000	1.4 %
Portia AS	750 000	1.4 %
Timmuno AS	724 650	1.4 %
Prieta AS	720 000	1.4 %
Verdipapirfondet Nordea Norge Plus	712 903	1.4 %
Thorendahl Invest AS	700 000	1.3 %
Sundt AS	650 000	1.2 %
Nordea 1 SICAV	644 581	1.2 %
Avanza Bank AB	368 718	0.7 %
The Bank of New York Mellon SA/NV	307 667	0.6 %
20 largest shareholders	**32 297 121**	**61.4 %**
Other shareholders (3 860)	20 267 260	38.6 %
Total shareholders	**52 564 381**	**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 15 August 2017:

Name	Position	No. of shares outstanding at 15 August 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	34 063
Lars Lund-Roland	Board member	20 811
Total no. of shares owned by the Board of Directors of the Group		**54 874**

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 Member of the Board, are partners at HealthCap