Third quarter results

2019

targovax

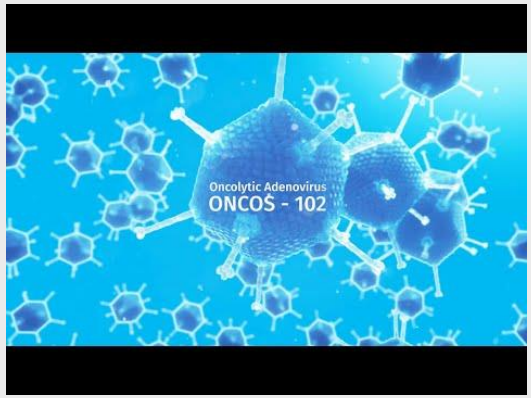
About Targovax

Activating the patient's immune system to fight cancer

Targovax (OSE:TRVX) is a clinical stage immuno-oncology company developing oncolytic viruses to target hard-to-treat solid tumors. Targovax's lead product candidate, ONCOS-102, is a genetically modified oncolytic adenovirus, which has been engineered to selectively infect cancer cells and activate the immune system to fight the cancer.

ONCOS-102 is currently being tested in mesothelioma, melanoma and peritoneal malignancies and has already shown promising clinical results both as monotherapy and in combination with chemotherapy, and a checkpoint inhibitor.

To learn more about ONCOS-102's mechanism of action, watch our latest video which is available either by clicking on the image below or via our website.



Third quarter presentation

Targovax management will hold a presentation 7 November at 10:00 CET at Hotel Continental, Oslo.

The presentation will be webcast live and can be accessed ***here*** and at ***www.targovax.com***.

Upcoming conferences

6-10 Nov:	Society for Immunotherapy of Cancer (SITC), National Harbor, MD, US
11-13 Nov:	BIO-Europe, Hamburg, Germany
15 Nov:	KOL event, NYC, US
20-21 Nov:	Jefferies Healthcare Conference, London, UK
3-5 Dec:	Oncolytic Virotherapy Summit, Boston, US
11-14 Dec:	ESMO Immuno-Oncology Congress, Geneva, CH
12 Dec:	DNB Healthcare seminar, Oslo, NO
13-16 Jan:	Trout Management Access, San Fransisco, US

Upcoming data milestones

January 2020:	ONCOS-102 phase I/II trial in unresectable malignant pleural mesothelioma *- Six month ORR and immune data*
1H2020:	ONCOS-102 phase I trial in checkpoint inhibitor refractory advanced melanoma *– Part 2 data*

Financial Calendar 2019

11 March 2020: Fourth quarter presentation

Third Quarter 2019 highlights

- Targovax announced data from part 1 of the ONCOS-102 trial in checkpoint inhibitor refractory advanced melanoma, showing validated clinical responses in three out of nine patients (33% ORR), including one patient with a complete response and immune activation in all nine patients
- The expansion part of the phase I/II trial of ONCOS-102 in combination with the checkpoint inhibitor Imfinzi in patients with advanced peritoneal malignancies opened for enrollment as the dose escalation part of the trial concluded successfully
- Targovax announced the opening of Oslo University Hospital as site for ONCOS-102 trial in melanoma

Post-period highlights

- In October, Targovax was selected for oral presentation at Society for Immunotherapy of Cancer (SITC) 2019 Annual Meeting. The presentation will be given bv Dr. Alexander Shoushtari, Principal Investigator of ONCOS-102 trial in melanoma, Memorial Sloan Kettering Cancer Center, NYC

Key Figures

Amounts in NOK thousands	3Q 2019	3Q 2018	9M 2019	9M 2018	FY 2018
Total operating revenues	6	6	18	21	27
Total operating expenses	-26 693	-33 705	-110 946	-103 879	-146 127
Operating profit/loss	-26 687	-33 699	-110 929	-103 858	-146 100
Net financial items	349	-914	-2 079	-2 683	-1 249
Income tax	85	84	248	249	334
Net profit/loss	-26 253	-34 530	-112 759	-106 292	-147 015
Basic and diluted EPS (NOK/share)	-0.41	-0.66	-1.88	-2.02	-2.79
Net change in cash	-30 906	-27 485	-47 170	-88 358	-110 384
Cash and cash equivalents start of period	134 924	200 700	151 189	261 573	261 573
Cash and cash equivalents end	104 019	173 215	104 019	173 215	151 189

CEO statement

Oncolytic viruses are increasingly recognized as an important future class of immune activators, and Targovax is well positioned as one of the leaders in this rapidly evolving field. Maintaining that position will require speed and agility. Currently, our main focus is to deliver the expected data read-outs from our ongoing ONCOS-102 combination trials in 2020, which we hope will solidify Targovax position as a leader in the oncolytic virus space.

Clinical trials update

During the quarter, we reported data from part 1 of our trial in checkpoint inhibitor resistant melanoma. In this trial, we are testing whether ONCOS-102 can immune activate patients that are progressing after checkpoint inhibitor treatment. The aim is to trigger relevant T-cell production and infiltration into the tumor so that the patients again can benefit from treatment with the checkpoint inhibitor Keytruda. If we succeed, it will mean that more patients can benefit from checkpoint inhibitors, for a longer period of time, and expand the arsenal of treatment options available to physicians trying to combat the most aggressive and resistant forms of melanoma.

We released headline data from part 1 of the melanoma trial in July, showing that three of the nine patients had significant reduction of tumor burden (overall response rate, ORR) whereof one patient had a complete response – which is rarely seen in this late-stage patient population. Although the number of patients is small, a 33% response is a very encouraging signal of the potential of ONCOS-102. We are very proud that these data are being recognized by the broader cancer research community as we have been granted an oral presentation at the Society of Immunotherapy in Cancer (SITC) Annual Meeting on 9 November. At this prestigious conference, the principal investigator of the trial will present a comprehensive data set of the patients in part 1.

In addition to the top US hospitals that were involved in part 1 of the trial, we are very pleased that Oslo University Hospital has joined the consortium and is now open for recruitment in part 2. In this part of the trial, we are testing an increased ONCOS-102 dosing regimen and, given the encouraging results in part 1, we are optimistic that increasing the number of injections will generate more and stronger responses. We expect to report a complete data set from the trial next year.

The combination trial with AstraZeneca's checkpoint inhibitor Imfinzi in peritoneal malignancies has also progressed well. In this trial, we treat patients with ovarian and colorectal cancer that has spread to the peritoneum, the inner lining of the abdomen. This trial is financed and run by Cancer Research Institute (CRI) and Ludwig Cancer Research, and Targovax was selected to participate with ONCOS-102 as the virus of choice for this trial. The safety and dose escalation cohorts have now been completed without any concerns, and patient recruitment into the experimental part of the trial is ongoing at five top US hospitals.

Next generation ONCOS viruses

At the same time as ONCOS-102 is advancing well in clinical development, we are also starting to get the first results from preclinical testing of our next generation of ONCOS viruses. The new viruses have the same backbone, but whereas ONCOS-102 uses GM-CSF as a single transgene to kickstart the immune activation, the new viruses have double transgenes with different and novel modalities. So far, we have been able to establish that the transgenes make a difference in mouse models and that it is possible to use two transgenes in a single virus construct without loss of efficacy. The next steps will be to complete mouse studies for all the new viruses in development, present data at conferences and - during 2020 - settle on a preferred clinical candidate.

Looking forward

After several years of preparations and hard work establishing our clinical program, we are delighted to now enter a period where we will read out clinical results. The early results from part 1 of the melanoma trial are very encouraging, and we are starting to see the contours of immune activation with ONCOS-102 generating improved patient outcomes. Coming up in a few months will be the 6-month ORR data report from the mesothelioma trial, which in a randomized design allows us to directly compare the effect of adding ONCOS-102 to chemotherapy. The aim of this trial is to assess the combination of ONCOS-102 and chemotherapy in both first and second line patients, in order to select the right population and combination treatment to move forward with.

In parallel with collecting and analyzing the results from our ongoing trials, we have started to prepare for the next steps in our clinical program. These steps will depend on data readouts over the next months, as well as collaboration and combination opportunities. If we are able to secure both good data and good partnerships, one year from now we should be in the advanced stages of planning for one or two trials that could, with time, potentially lead to a first registration of ONCOS-102.

Øystein Soug, CEO

ONCOS-102 clinical development programs

Product candidate	Preclinical	Phase I	Phase II	Phase III	Next expected event
ONCOS-102	**Mesothelioma** Combination w/ pemetrexed/cisplatin				**January 2020** Randomized data
	Melanoma Combination w/Keytruda				**1H 2020** Part 2 data
	Peritoneal metastasis Collaborators: Ludwig, CRI & AZ	Combination w/Imfinzi			*Update by collaborator*
	Prostate Collaborator: Sotio Combination w/DCvac				*Update by collaborator*
Next-gen ONCOS	**3 new viruses** Double transgene				**1H 2020** Pre-clinical data

Mesothelioma

- Randomized phase I/II open label trial
- 31 patients in 1st line and 2nd line with unresectable malignant pleural mesothelioma
- Intra-tumoral ONCOS-102 in combination with standard of care, pemetrexed / cisplatin
- End-points: safety of the combination treatment, immune activation and overall response rates (ORR) at six months
- Conducted at four sites in Spain and France
- The enrollment has completed, data read-outs are expected around New Year
- Most recent read-out: six-patient safety lead-in cohort reported in April 2018
  - First safety review passed with no concerns
  - 50% disease control rate
  - 100% innate immune activation
  - Tumor T-cell infiltration in 3/4 patients with available biopsy material
  - *De novo* tumor-specific T-cells

Melanoma

- Open-label, single arm phase I trial
- Up to 21 patients (two dose cohorts) with advanced CPI refractory melanoma
- Intra-tumoral ONCOS-102 in combination with Keytruda (pembrolizumab)
- End-points: safety of the combination treatment, immune activation, overall response rates (ORR) at six months and survival rates
- Conducted at three US sites: Memorial Sloan Kettering (NY), Fox Chase Cancer Center (PA), and University of Maryland (MA)
- Part 2 of the trial is enrolling patients, where safety and efficacy of a more intensive treatment regimen of twelve ONCOS-102 injections will be evaluated
- Most recent read-out: nine patients in part 1 who received only three ONCOS-102 injections reported in July 2019
  - One complete response and two partial responses (33% ORR)
  - Innate and adaptive immune activation observed in all patients

Peritoneal metastasis

- Collaboration with US-based Cancer Research Institute (CRI) and Ludwig Cancer Research (Ludwig, trial sponsor) and AstraZeneca
- Non-randomized, open-label, multi-center phase I/II trial
- Up to 78 patients who have failed prior standard chemotherapy and have histologically confirmed platinum-resistant or refractory epithelial ovarian or colorectal cancer, metastasized to the lining of the abdominal cavity (peritoneum)
- Intraperitoneally administered ONCOS-102 in combination with Imfinzi (durvalumab, anti-PD-L1 antibody)
- End-points: safety, biologic and anti-tumor activity of the combination
- Conducted at five sites in US
- The expansion part has started
- Most recent read-out: the start of the expansion part reported in July 2019
  - All safety reviews during the dose escalation phase have been completed with no Dose Limiting Toxicities

Prostate Cancer

- Collaboration with the Czech biotech company Sotio, which is sponsoring the trial
- Open label, single-arm phase I/II trial
- Up to 15 patients with advanced metastatic castration-resistant prostate cancer
- Intra-tumoral ONCOS-102 in combination with Sotio's dendritic cell therapy DCVAC/PCa
- End-points: safety and tolerability of the combination
- Conducted at one site in the Czech Republic
- First patient was dosed in July 2018

Preclinical development of ONCOS-102

Targovax has conducted *in vivo* studies of ONCOS-102 in mesothelioma and melanoma mouse models to validate the scientific rationale for the clinical combination strategies in these indications. Data were published in leading, peer reviewed publications, the Journal of Medical Virology and Cancer Gene Therapy.

In an immunodeficient mesothelioma mouse model, it was shown that ONCOS-102 acts synergistically to reduce tumor volume with the chemotherapy combination of pemetrexed and cisplatin (Pem/Cis), which is the current standard of care in malignant pleural mesothelioma. We have also demonstrated that ONCOS-102 induced CD8+ T-cells specific to the tumor associated antigen (TAA) mesothelin, which is typically overexpressed in mesothelioma, as well as many other forms of cancer (Kuryk et al, 2018, JMV).

- Pem/Cis alone did not reduce tumor volume
- ONCOS-102 alone reduced tumor volume by 56%
- ONCOS-102 + Pem/Cis reduced tumor volume by 75% relative to Pem/Cis alone and by 33% relative to ONCOS-102 alone
- ONCOS-102 induced a mesothelin specific T-cell response (ELISPOT analysis)

The efficacy of the combination of ONCOS-102 and PD-1 checkpoint inhibition (Keytruda, two different doses) has been assessed in a humanized melanoma mouse model, which showed a synergistic anti-tumor effect of ONCOS-102 and PD-1 blockade:

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

In addition, it was shown in the humanized melanoma mouse model that the ONCOS-102 and Keytruda combination can induce an abscopal effect. This is an important mechanistic finding, which validates *in vivo* that ONCOS-102 can generate systemic anti-tumor immune responses that lead to a reduction in the size of non-injected lesions. These data were published in the Journal of Medical Virology in June 2019.

These *in vivo* data demonstrate the mode of action and anti-tumor activity of ONCOS-102 as a single agent, as well as the potential to act synergistically with both chemotherapy and checkpoint blockade, and thus underpin the scientific rationale for the ongoing mesothelioma and melanoma clinical trials.

Next generation ONCOS viruses

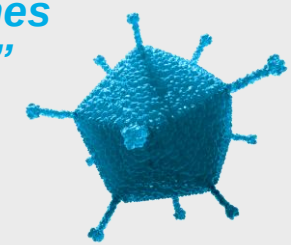
The ONCOS platform is based on a versatile double-stranded DNA adenovirus serotype 5 backbone. The core construct includes two genetic modifications to enhance cancer specificity:

1. A 24bp deletion in the E1A region to ensure selective replication in actively dividing cells
2. Replacement of the serotype 5 to a serotype 3 fiber knob; this leads the virus to primarily infect via the DSG2 and CD46 receptors, which are typically upregulated on cancer cells

In addition, the ONCOS backbone can carry transgenes that can be delivered to tumors by local expression in infected host cells. The transgene inserted into Targovax lead clinical product ONCOS-102 is GM-CSF, which stimulates tumor antigen processing by antigen presenting cells (APCs). In the second generation ONCOS viruses, Targovax has been able to increase the DNA payload capacity of the backbone to include two transgenes. Three new ONCOS viruses with double transgenes have been cloned and validated *in vitro* and are now being tested *in vivo*. Patent applications for these novel constructs were filed in April 2019.

We have generated and are continuing to generate preclinical data from the next generation ONCOS viruses and will before the end of 2019 submit abstracts to present at upcoming scientific conferences.

"Next generation ONCOS viruses have double transgenes with distinct modes of action"



IPR / Market protection

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, and relevant combination therapies. This patent portfolio also covers potential future product candidates. The Company continuously works to strengthen its patent portfolio.

The Company has attained Orphan Drug Designation (ODD) in the EU and US for the use of ONCOS-102 in mesothelioma, ovarian cancer, and soft tissue sarcoma, supporting a rapid path to commercialization and ensuring up to ten years of market protection from the date of market approval in any of these indications.

TG mutant RAS vaccine

The TG platform consists of neoantigen cancer vaccines targeting mutant RAS cancers RAS mutations are known to drive many cancers and are a central target in oncology. A 32-patient phase I/II clinical trial evaluating TG01 in resected pancreatic cancer in combination with standard of care chemotherapy (gemcitabine) reported median overall survival of 33.3 months and 38% three-year survival rate in May 2019. The median overall survival compares favorably to the ESPAC4 historical control trial of gemcitabine monotherapy, which reported median overall survival from surgery of 27.6 months. The Company has attained Orphan Drug Designation (ODD) for TG01 in pancreatic cancer.

Going forward, Targovax actively works to create shareholder value from the TG technology through collaborations and partnerships. Earlier this year, Targovax granted Zelluna Immunotherapy a license to intellectual property relating to mutant RAS T-cell receptor technology. Targovax has also entered into an agreement with The Parker Institute for Cancer Immunotherapy (PICI) and the Cancer Research Institute (CRI) for a research collaboration with Targovax's TG mutant RAS vaccine. Under the agreement, Targovax will be responsible for TG supply in a potential future trial.

Experienced team

Targovax has a strong senior management team with a versatile range of backgrounds from successful biotechs and major global pharmaceutical companies, as well as management consulting.

Management team

As per 7 November 2019

Name	Position
Øystein Soug	CEO
Magnus Jäderberg	CMO
Torbjørn Furuseth	CFO
Erik Digman Wiklund	CBO
Sissel Vågen	Head of QA
Kristiina Hyvärinen	Director, CMC
Anne-Sophie Møller	Head of Clinical Science
Ingunn Munch Lindvig	VP Regulatory Affairs

Board of Directors

As per 7 November 2019

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

From left: Catherine A. Wheeler, Johan Christenson, Robert Burns, Patrick Vink, Bente-Lill Romøren, Per Samuelsson, Diane Mellett and Eva-Lotta Allan.

Financial review

Results third quarter 2019

In the third quarter of 2019 Targovax had no core business revenue.

Operating expenses amounted to NOK 27m (NOK 34m) in the third quarter. The operating expenses are reported net of governmental grants which amounted to NOK 1m in the period (NOK 1m). The net loss amounted to NOK 26m in the third quarter 2019 (NOK 35m). The operating expenses in the quarter were lower than previous quarters due to decreased external R&D cost, and the accounting of the restructuring costs in the second quarter 2019.

Results first nine months 2019

In the first nine months of 2019 Targovax had no core business revenue.

Operating expenses amounted to NOK 111m (NOK 104m) in the first nine months of 2019. The operating expenses are reported net of governmental grants which amounted to NOK 3.4m in the period (NOK 4m). The net loss amounted to NOK 113m in the first nine months of 2019 (NOK 106m).

Financial position and cash flow

Cash and cash equivalents were NOK 104m at the end of the third quarter 2019 compared to NOK 135m at the end of second quarter 2019 and NOK 201m at the end of third quarter 2018.

Net cash flow from operating activities during the third quarter 2019 was negative by NOK 30m compared to negative NOK 27m in the third quarter 2018 and NOK 36m in second quarter 2019.

Net cash flow from operating activities during the first nine months of 2019 was negative by NOK 111m compared to negative NOK 87m in the first nine months of 2018.

By the end of the period, total outstanding interest-bearing debt amounted to EUR 6m, all to Business Finland. The Finnish trade promotion organization and the Finnish Funding Agency for Technology and Innovation (TEKES) united as Business Finland in 2018.

Share information

By 24 October 2019, there were 63,383,613 shares outstanding, distributed between 4,278 shareholders. The 20 largest shareholders controlled 47.4% of the shares.

During Q3 2019, Targovax shares traded in the NOK 5.00 – 6.95 range. During the quarter, approx. 8.3 million shares were traded, with an aggregate trading value of NOK 49 million.

The closing price on 30 September 2019 was NOK 5.15 per share, corresponding to a market value of NOK 326 million.

The estimated share ownership situation on 23 October 2019:

	Estimated	
Shareholder	Shares million	Ownership
HealthCap	12,4	19,6 %
RadForsk	4,4	7,0 %
Nordea	3,7	5,8 %
KLP	1,4	2,2 %
Thorendahl Invest	1,4	2,2 %
Danske Bank (nom.)	0,9	1,4 %
Prieta	0,7	1,1 %
J.P. Morgan Bank (nom.)	0,7	1,1 %
Sundt	0,7	1,0 %
MP Pensjon	0,5	0,8 %
10 largest shareholders	**26.7**	**42.1 %**
Other shareholders (4 268)	36.7	57.9%
Total shareholders	**63.4**	**100.0 %**

Risks and uncertainties

The Company's business is exposed to a number of general operational and financial risks which have been explained in Targovax's annual report 2018 as well as in the recent prospectus, both available at www.targovax.com.

Outlook

There is broad excitement in the industry for the potential of oncolytic viruses as a novel class of immune activators to potentiate the efficacy of other treatments, such as checkpoint inhibitors. With the ONCOS platform, Targovax has a solid adenovirus platform to establish a strong position in this emerging class of immune activators. With several upcoming oncolytic virus trial read-outs from both Targovax and others over the next year, we expect the excitement in the industry to grow even stronger.

We have already seen encouraging clinical efficacy of ONCOS-102. The ongoing combination trials are set to produce several important data points in the coming year, which have the potential to solidify ONCOS-102's position as one of the most clinically advanced and promising oncolytic viruses. As we are nearing the completion of some of our trials, we have started to prepare for the next trials. With this in mind, we are in discussions with pharmaceutical and biotech companies regarding future collaborations on combination opportunities.

We continue to believe in RAS as a crucial anti-cancer target, and that the TG mutant RAS vaccine platform holds promise as an immunological approach to deal with this target. We will continue to seek both commercial and academic partnering opportunities to bring the TG platform forward.

Oslo, 6 November 2019

The Board of Directors of Targovax ASA

Patrick Vink
Chairperson of the Board

Per Samuelsson
Board Member

Bente-Lill Romøren
Board Member

Catherine A. Wheeler
Board Member

Johan Christenson
Board Member

Robert Burns
Board Member

Eva-Lotta Allan
Board Member

Diane Mellett
Board Member

Øystein Soug
CEO

Third quarter results 2019

Condensed consolidated statement of profit and loss

Amounts in NOK thousands except per share data	*Note*	Unaudited 3Q 2019	Unaudited 3Q 2018	Unaudited 9M 2019	Unaudited 9M 2018	FY 2018
Other revenues		6	6	18	21	27
Total revenue		**6**	**6**	**18**	**21**	**27**
External R&D expenses	*3,4*	-13 696	-17 307	-55 120	-43 005	-64 006
Payroll and related expenses	*5,11*	-7 700	-11 636	-38 830	-42 095	-56 433
Other operating expenses	*3,4*	-5 297	-4 762	-16 997	-18 779	-25 688
Total operating expenses		**-26 693**	**-33 705**	**-110 946**	**-103 879**	**-146 127**
Operating profit/ loss (-)		**-26 687**	**-33 699**	**-110 929**	**-103 858**	**-146 100**
Finance income		590	299	1 417	1 366	3 068
Finance expense		-240	-1 214	-3 496	-4 049	-4 317
Net finance income/ expense (-)		**349**	**-914**	**-2 079**	**-2 683**	**-1 249**
Loss before income tax		**-26 338**	**-34 614**	**-113 007**	**-106 541**	**-147 349**
Income tax income/ expense (-)		85	84	248	249	334
Loss for the period		**-26 253**	**-34 530**	**-112 759**	**-106 292**	**-147 015**
Earnings/ loss (-) per share						
Basic and dilutive earnings/loss (-) per share	*10*	-0.41	-0.66	-1.88	-2.02	-2.79

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

Amounts in NOK thousands except per share data	Unaudited 3Q 2019	Unaudited 3Q 2018	Unaudited 9M 2019	Unaudited 9M 2018	FY 2018
Income/ loss (-) for the period	-26 253	-34 530	-112 759	-106 292	-147 015
Items that may be reclassified to profit or loss:					
Exchange differences arising from the translation of foreign operations	5 284	-1 146	-1 570	-10 407	2 620
Total comprehensive income/ loss (-) for the period	**-20 969**	**-35 676**	**-114 329**	**-116 699**	**-144 395**

Condensed consolidated statement of financial position

Amounts in NOK thousands	*Note*	Unaudited 30.09.2019	Unaudited 30.09.2018	31.12.2018
ASSETS				
Intangible assets	*6*	368 257	352 316	370 240
Property, plant, and equipment		799	919	889
Right-of-use asset		4 087		-
Total non-current assets		**373 142**	**353 235**	**371 128**
Receivables		19 809	20 850	15 320
Cash and cash equivalents		104 019	173 215	151 189
Total current assets		**123 828**	**194 065**	**166 509**
TOTAL ASSETS		**496 971**	**547 300**	**537 637**

Amounts in NOK thousands	*Note*	Unaudited 30.09.2019	Unaudited 30.09.2018	31.12.2018
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	*9*	6 338	5 262	5 262
Share premium reserve		886 899	821 132	821 131
Other reserves		45 713	38 777	41 239
Retained earnings		-635 240	-481 758	-522 481
Translation differences		27 976	16 519	29 546
Total equity		**331 686**	**399 932**	**374 696**
Non-current liabilities				
Interest-bearing liabilities	*7*	55 591	49 583	43 933
Deferred tax		59 075	56 927	59 632
Lease liabilities		419	-	-
Total non-current liabilities		**115 085**	**106 510**	**103 565**
Current liabilities				
Interest-bearing liabilities	*7*	-	-	9 127
Short-term lease liabilities		3 700	-	-
Accounts payable and other current liabilities		6 065	6 309	12 372
Accrued public charges		2 412	2 067	3 370
Other short-term liabilities		38 023	32 482	34 508
Total current liabilities		**50 200**	**40 858**	**59 377**
TOTAL EQUITY AND LIABILITY		**496 971**	**547 300**	**537 637**

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 2017		**5 261**	**821 161**	**29 276**	**26 926**	**-375 466**	**507 158**
Loss for the period		-	-	-	-	-71 762	-71 762
Exchange differences arising from the translation of foreign operations		-	-	-	-9 261	-	-9 261
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**-9 261**	**-71 762**	**-81 023**
Share issuance, employee share options & RSU's		1	-29	-	-	-	-29
Recognition of share-based payments & RSU's	*11*	-	-	9 502	-	-	9 502
Balance at 30 September 2018		**5 262**	**821 132**	**38 777**	**16 519**	**-481 758**	**399 932**
Loss for the period		-	-	-	-	-40 723	-40 723
Exchange differences arising from the translation of foreign operations		-	-	-	13 027	-	13 027
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**13 027**	**-40 723**	**-27 696**
Share issuance, employee share options & RSU's	*9*	-	-1	-	-	-	-1
Recognition of share-based payments & RSU's	*11*	-	-	2 461	-	-	2 461
Balance at 31 December 2018		**5 262**	**821 131**	**41 239**	**29 546**	**-522 481**	**374 696**
Loss for the period		-	-	-	-	-112 759	-112 759
Exchange differences arising from the translation of foreign operations		-	-	-	-1 570	-	-1 570
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period					**-1 570**	**-112 759**	**-114 329**
Issue of ordinary shares - Capital increase - Private Placement & Subsequent offering	*9*	1 066	73 585	-	-	-	74 651
Transaction costs - Private Placement & Subsequent offering		-	-7 788	-	-	-	-7 788
Share issuance, employee share options & RSU's	*9*	10	-28	-	-	-	-18
Recognition of share-based payments & RSU's	*11*	-	-	4 475	-	-	4 4752
Balance at 30 September 2019		**6 338**	**886 899**	**45 713**	**27 976**	**-635 240**	**331 686**

Condensed consolidated statement of cash flow

Amounts in NOK thousands	*Note*	Unaudited 3Q 2019	Unaudited 3Q 2018	Unaudited 9M 2019	Unaudited 9M 2018	FY 2018
Cash flow from operating activities						
Loss before income tax		-26 338	-34 614	-113 007	-106 541	-147 349
Adjustments for:						
Finance income		-590	-299	-1 417	-1 366	-3 068
Finance expense		240	1 214	3 496	4 049	4 317
Interest received		372	369	1 200	375	1 554
Other finance expense		159	-41	-9	-98	-88
Share option & RSU expense	*11*	-318	1 647	4 475	9 502	11 963
Depreciation		1 041	77	3 105	230	308
Change in receivables		-1 292	-3 566	-4 489	-5 238	-700
Change in other current liabilities		-3 330	8 402	-3 952	12 048	21 496
Net cash flow from/(used in) operating activities		**-30 055**	**-26 811**	**-110 600**	**-87 040**	**-111 568**
Cash flow from investing activities						
Purchases of property, plant, and equipment (PPE)		-	-	-134	-	-
Net cash received from/(paid in) investing activities		**-**	**-**	**-134**	**-**	**-**
Cash flow from financing activities						
Interest paid	*7*	-182	-177	-404	-396	-607
Repayment of lease liabilities		-1 031		-3 080		
Share issue expense - Private Placement & subsequent offering		-441		-7 788		
Proceeds from Private Placement and subsequent offering				74 651		-30
Proceeds from exercise of options & RSU's			-29	-18	-29	-30
Net cash generated from financing activities		**-1 654**	**-205**	**63 360**	**-425**	**-637**
Net increase/(decrease) in cash and cash equivalents		**-31 708**	**-27 016**	**-47 374**	**-87 464**	**-112 204**
Net exchange gain/loss on cash and cash equivalents		803	-469	204	-893	1 820
Cash and cash equivalents at beginning of period		**134 924**	**200 700**	**151 189**	**261 573**	**261 573**
Cash and cash equivalents at end of period		**104 019**	**173 215**	**104 019**	**173 215**	**151 189**

Notes

1. General information

Targovax ASA ("the Company") and its subsidiaries (together the Group) is a clinical stage immuno-oncology company developing oncolytic viruses to target hard-to-treat solid tumors. Immuno-oncology is currently one of the fastest growing therapeutic fields in medicine.

Targovax's lead product candidate, ONCOS-102, is a genetically modified oncolytic adenovirus, which has been engineered to selectively infect and replicate in cancer cells.

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 6 November 2019.

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 2018 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 30 September 2019 reporting period 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 2019.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. As at 30 September 2019, Targovax OY, located in Helsinki, Finland, and Targovax Solutions LLC, located in Delaware, USA are 100% owned and controlled subsidiaries.

2.4 Going concern

As a result of the Private Placement in the first quarter 2019 and the current liquidity situation, Targovax's Directors expect that the Group has available financial resources sufficient for the next twelve months as of 30 September 2019. 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:

	3Q 2019		3Q 2018		9M 2019		9M 2018		FY 2018	
Amounts in NOK thousands	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	13 696	13 696	17 307	17 307	55 120	55 120	43 005	43 005	64 006	64 006
Payroll and related expenses	7 700	4 028	11 636	6 239	38 830	19 989	42 095	22 578	56 433	30 210
Other operating expenses	5 297	202	4 762	198	16 997	442	18 779	765	25 688	941
Total operating expenses	**26 693**	**17 925**	**33 705**	**23 743**	**110 946**	**75 551**	**103 879**	**66 348**	**146 127**	**95 157**

The model for calculation of the R&D share of Payroll and related expenses was changed during fourth quarter 2018. This results in changes in the R&D share of Payroll and related expenses for comparative periods throughout the year 2018.

4. Government grants

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

Amounts in NOK thousands	3Q 2019	3Q 2018	9M 2019	9M 2018	FY 2018
External R&D expenses	565	1 181	2 827	3 072	4 077
Payroll and related expenses	105	173	514	921	1 105
Other operating expenses	5	9	34	74	80
Total grants	**675**	**1 362**	**3 375**	**4 068**	**5 263**

R&D projects have been approved for SkatteFUNN through 2019 and 2020. For the third quarter and first nine months of 2019, the Group has recognized NOK 0,7m and NOK 3.4m as cost reduction in External R&D expenses, Payroll and related expenses and Other operating expenses.

See note 8 Government grants in the Annual Report 2018 for more information about grants.

5. Payroll and related expenses

Total payroll and related expenses for the Group are:

Amounts in NOK thousands	3Q 2019	3Q 2018	9M 2019	9M 2018	FY 2018
Salaries and bonus	6 377	8 193	23 889	27 972	37 547
Employer's national insurance contributions	817	1 110	3 026	3 364	4 723
Share-based compensation [1)]	-318	1 647	4 475	9 502	11 963
Pension expenses – defined contribution plan	638	541	1 609	1 587	2 028
Restructuring costs [2)]	4	-	5 450	-	-
Other	288	318	895	591	1 279
Governmental grants	-105	-173	-514	-921	-1 105
Total payroll and related expenses	**7 700**	**11 636**	**38 830**	**42 095**	**56 433**

1) Share-based compensation has no cash effect.

2) Following the decision to fully focus on the ONCOS platform, the number of employees will be reduced, hence estimated restructuring costs of NOK 5.4m per 30th September 2019.

	30.09.2019	30.09 2018	31.12 2018
Number of employees calculated on a full-time basis as at end of period	22.5	26.7	25.6
Number of employees as at end of period	24	27	26

6. Intangible assets

As of 30 September 2019, the recognized intangible assets in the Group amounts to NOK 368m. This is a decrease from NOK 370m as of 31 December 2018, 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. 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 15 Intangible assets and impairment test in the 2018 Annual Report.

7. Interest bearing debt

Business Finland is a publicly financed funding agency that finances research and development activities for young innovative companies in Finland. The Finnish trade promotion organization and the Finnish Funding Agency for Technology and Innovation (TEKES) united as Business Finland in 2018.

The Group has received three R&D loans, for the commercialization of ONCOS-102 from Business Finland under loan agreements dated September 2010, February 2012 and December 2013, respectively, in the total outstanding amount of EUR 6 316 600 as of 30 September 2019. The Group is applying for an extension of the repayment-free period and as per 30 September 2019 all the interest-bearing liabilities are long-term.

Amortized interests are charged to financial expenses, amounting to NOK 2.7m and NOK 2.7m during the first nine months of 2019 and 2018, NOK 3.6m during full year 2018.

No new Business Finland loans have been awarded during first nine months of 2019.

See note 21 Interest-bearing debt in the Annual Report 2018 for more information about the Business Finland 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.

	9M 2019		9M 2018		FY 2018	
Amounts in NOK thousands	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Right-of-use assets	4 087	4 087	-	-	-	-
Receivables	19 809	19 809	20 850	20 850	15 320	15 320
Cash and cash equivalents	104 019	104 019	173 215	173 215	151 189	151 189
Total financial assets	**127 915**	**127 915**	**194 065**	**194 065**	**166 509**	**166 509**
Interest-bearing borrowings	55 591	55 591	49 583	49 583	53 059	53 059
Lease liabilities	4 120	4 120	-	-	-	-
Accounts payable and other current liabilities	6 065	6 065	6 309	6 309	12 372	12 372
Accrued public charges	2 412	2 412	2 067	2 067	3 370	3 370
Other short-term liabilities	38 023	38 023	32 482	32 482	34 508	34 508
Total financial liabilities	**106 210**	**106 210**	**90 441**	**90 441**	**103 309**	**103 309**

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

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

As at 30 September 2019:

Amounts in NOK thousands	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	55 523	55 523
Total financial instruments at fair value	**-**	**-**	**55 523**	**55 523**

As at 30 September 2018:

Amounts in NOK thousands	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	49 583	49 583
Total financial instruments at fair value	**-**	**-**	**49 583**	**49 583**

As at 31 December 2018:

Amounts in NOK thousands	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	53 059	53 059
Total financial instruments at fair value	**-**	**-**	**53 059**	**53 059**

9. Share capital and number of shares

In March 2019, Targovax announced that a Private Placement had been successfully completed, raising gross proceeds of approximately NOK 74 million (USD 9 million) through the allocation of 10,521,973 new shares (the “New Shares”) at a subscription price of NOK 7.0 per share. The Private Placement took place through an accelerated book building process after close of market on 21 March 2019. The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in Norway and the US. The transaction was approved by the General Assembly on 30 April 2019. A subsequent offering in second quarter 2019 raised gross proceeds of NOK 1 million. Proceeds from both the Private Placement and the subsequent offering were received by Targovax in second quarter 2019.

Share capital as at 30 September 2019 is 6 338 361.3 (31 December 2018: 5 261 644.8) comprising 63 383 613 ordinary shares at nominal value NOK 0.10 (31 December 2018: 52 616 448 at NOK 0.10). All shares carry equal voting rights.

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

Amounts in NOK thousands	3Q 2019	3Q 2018	9M 2019	9M 2018	FY 2018
Ordinary shares at beginning of period	63 383 613	52 609 867	52 616 448	52 609 867	52 609 867
Share issuance - Private Placement	-	0	10 664 430	-	-
Share issuance, employee share options and RSUs	-	6 581	102 735	6 581	6 581
Ordinary shares at end of period	**63 383 613**	**52 616 448**	**63 383 613**	**52 616 448**	**52 616 448**

The 20 largest shareholders are as follows at 30 September 2019:

Shareholder	# shares	%
HealthCap	12 405 584	19.6 %
Radiumhospitalets Forskningsstiftelse	4 427 255	7.0 %
Nordnet Livsforsikring AS	1 577 904	2.5 %
VPF Nordea Kapital	1 538 448	2.4 %
Nordnet Bank AB	1 489 291	2.3 %
Thorendahl Invest AS	1 365 000	2.2 %
VPF Nordea Avkastning	1 344 274	2.1 %
Danske Bank AS	868 099	1.4 %
KLP AksjeNorge	846 275	1.3 %
Prieta AS	720 000	1.1 %
Verdipapirfondet Nordea Norge Plus	686 203	1.1 %
J.P. Morgan Bank Luxembourg S.A.	670 000	1.1 %
Sundt AS	650 000	1.0 %
Kommunal Landspensjonskasse	645 464	1.0 %
MP Pensjon PK	564 286	0.9 %
Timmuno AS	544 236	0.9 %
Morgan Stanley & Co. International	353 944	0.6 %
Trond Are Selsbak	346 000	0.5 %
Avanza Bank AB	331 418	0.5 %
Yngve Supun Lillesund	320 000	0.5 %
20 largest shareholders	**31 693 681**	**50.0 %**
Other shareholders (4 295)	31 689 932	50.0 %
Total shareholders	**63 383 613**	**100.0 %**

Shareholdings Key Management

The following table provides the total number of shares owned by the key management of the Group and member of the Board of Directors, including close associates, as of 30 September 2019:

Name	Position	No. of shares outstanding at 30 September 2019
Key management:		
Øystein Soug[1)]	Chief Executive Officer	190 000
Magnus Jäderberg	Chief Medical Officer	20 000
Torbjørn Furuseth	Chief Financial Officer	15 000
Total no. of shares owned by key management of the Group		**235 000**
Board of directors:		
Robert Burns	Board member	86 020
Eva-Lotta Coulter	Board member	51 368
Diane Mellett	Board member	17 704
Bente-Lill Romøren	Board member	5 464
Total no. of shares owned by the Board of Directors of the Group		**160 556**

1) The shares are held through Abakus Invest AS.

Other holdings of shares in the company related to the Board of Directors:

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

10. Earnings per share

Amounts in NOK thousand	3Q 2019	3Q 2018	9M 2019	9M 2018	FY 2018
Loss for the period	-26 253	-34 530	-112 759	-106 292	-147 015
Average number of outstanding shares	63 384	52 612	59 888	52 611	52 612
Earnings/ loss (-) per share - basic and	**-0.41**	**-0.66**	**-1.88**	**-2.02**	**-2.79**

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 compensation

Share options

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 2019 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. In first nine months of 2019 a total of 585 000 options for shares in the Company have been distributed amongst the current members of the key management and a total of 586 000 options for shares in 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 first nine months was NOK 3.7m. For the third quarter 2019 NOK 0,6m was recognized as income due to reversals of the not vested share options. For the same period in 2018 it was NOK 8.5m and NOK 1.3m, and NOK 10.6m for the full year 2018.

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 2019 is estimated at average of 70.93%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2019 is 1.17%.

The following table shows the changes in outstanding options in 2019 and 2018:

	9M 2019		FY 2018	
	No. of options	Weighted avg.exercise price (NOK)	No. of options	Weighted avg.exercise price (NOK)
Outstanding at 1 January	4 252 304	19.61	3 466 634	21.06
Granted during the period	1 171 000	7.38	1 429 000	15.95
Exercised during the period	-	-	-	-
Forfeited during the period	-489 551	13,62	-449 582	17.83
Expired during the period	-	-	-193 748	22.63
Outstanding no. of options at end of period	**4 933 753**	**17.30**	**4 252 304**	**19.61**

The following table shows the exercised, granted and outstanding options for shares to Key Management of the Group at 30 September 2019:

		Share Options			
Name	Position	Granted 9M 2019	Outstanding 30.09.2019	Granted FY 2018	Outstanding 31.12.2018
Key management:					
Øystein Soug	Chief Executive Officer	150 000	1 160 000	220 000	1 010 000
Magnus Jäderberg	Chief Medical Officer	80 000	840 000	100 000	760 000
Erik Digman Wiklund	Chief Business Officer	130 000	430 000	150 000	300 000
Torbjørn Furuseth	Chief Financial Officer	100 000	300 000	200 000	200 000
Sissel Vågen	Head of QA	34 000	91 000	27 000	57 000
Kristiina Hyvärinen	Director, CMC	32 000	85 500	13 500	53 500
Anne-Sophie Wiborg Møller	Head of Clinical Science	32 000	80 500	13 500	48 500
Ingunn Munch Lindvig	VP Regulatory Affairs	27 000	27 000	-	-
Total option for shares to key management of the Group		**585 000**	**3 014 000**	**670 000**	**2 429 000**
Board of directors:					
Robert Burns	Board member	-	21 235	-	21 235
Total option for shares to the Board of Directors of the		**-**	**21 235**	**-**	**21 235**

From 1 October 2019 to 6 November 2019 no new options for shares have been granted to Key Management.

Restricted Stock Units

The Board of Directors may choose to receive their remuneration, or parts thereof, in the form of restricted stock units (RSUs). If the Board members choose to receive the Board remuneration in RSUs they must choose 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 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 of 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. 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. When the RSUs have vested, the participant must during the following three-year period select when to take delivery of the shares.

The total compensation to each member of the Board of Directors for the period between the AGM 2019-2020 have been set out in the minutes from the Annual General Meeting 30 April 2019. The Annual General Meeting 30 April 2019 decided to remunerate the Board of Directors for the period between the AGM 2019 to the AGM 2020 with a combination of cash and Restricted Stock Units (RSUs), hence at the 30 April 2019, additional 170,367 RSU's were granted to the Board of Directors.

The expensed RSUs in first nine months of 2019 and 2018 was NOK 0.8m and NOK 1.0m, and 1,4m during full year 2018. A total of 268 060 RSUs was outstanding at 30 September 2019.

The following table shows the exercised, granted and outstanding RSUs to Board of Directors of the Group at 30 September 2019:

		RSU's			
Name	Position	Outstanding 31.12.2018	Granted 9M 2019	Exercised 9M 2019	Outstanding 30.09.2019
Board of Directors:					
Eva-Lotta Allan	Board member	51 368	15 249	-51 368	15 249
Diane Mellett	Board member	50 198	15 249	-17 704	47 743
Patrick Vink	Chairperson of the Board	44 286	78 873	0	123 159
Robert Burns	Board member	28 199	45 747	-28 199	45 747
Bente-Lill Romøren	Board member	20 328	15 249	-5 464	30 113
Catherine A. Wheeler	Board member	6 049	0	0	6 049
Total Restricted Stock Units to Board of Directors of the Group		**200 428**	**170 367**	**-102 735**	**268 060**

From 1 October 2019 to 6 November 2019 no RSUs have been granted to the Board of Directors.

12. Implementation of IFRS 16 “Leases”

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term (less than 12 months) and low-value leases.

The Group has applied the standard from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption.

The Group has non-cancellable operating lease commitments of NOK 7.8 million at 1 January 2019. Of these commitments, NOK 0.10 million relate to short-term leases and NOK 0.2 million relate to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group has recognized right-of-use assets of NOK 7.0 million on 1 January 2019 and lease liabilities of NOK 7.0 million.

The Group’s operating profit/loss has increased by NOK 0.2 million and net profit after tax has decreased by NOK 0,01 million for the first nine months of 2019 as a result of adopting the new rules.

Operating cash flows has increased, and financing cash flows has decreased by NOK 1.0 million in 3q 2019 and NOK 3,0 million in first nine months of 2019 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The impact on the date of initial application is further presented below:

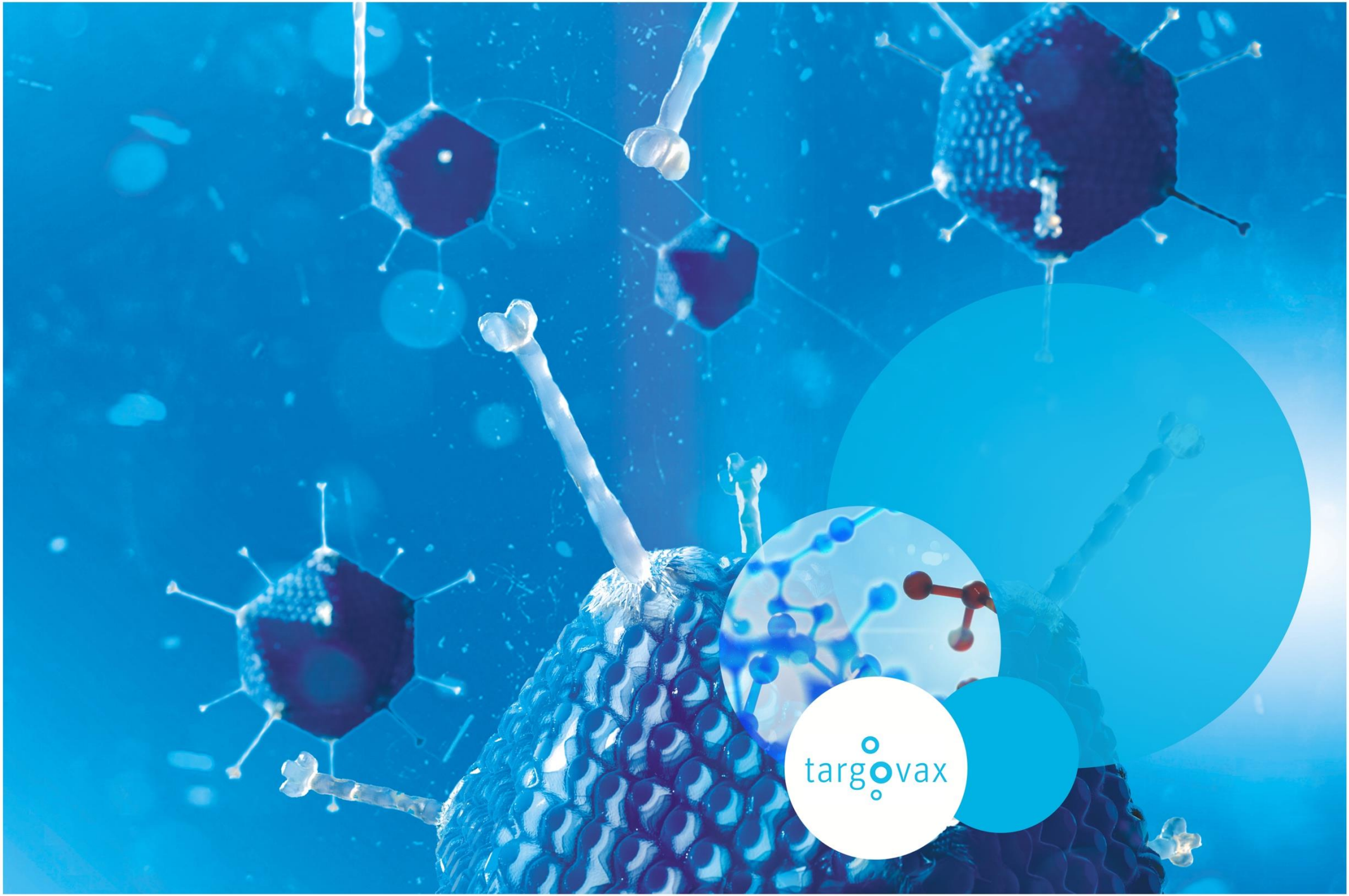
Amounts in NOK thousands

Reconciliation of lease commitments to lease liabilities	**01.01.2019**
Non-cancellable operating lease commitments at 31 December 2018	5 994
+ Extension options reasonably certain to be exercised	1 764
- Practical expedient related to short-term leases	-98
- Practical expedient related to low-value leases	-158
- Discounting using the incremental borrowing rate	-496
Lease liabilities recognized at initial application	**7 005**
The weighted average incremental borrowing rate applied:	**8**%
Right-of-use assets recognized at initial application	**7 005**

Impact of the initial application of IFRS 16:

Amounts in NOK thousands	01.01.2019	Effects from IFRS 16	31.12.2018
ASSETS			
Intangible assets	370 240		370 240
Property, plant, and equipment	889		889
Right-of-use assets	7 005	7 005	
Total non-current assets	**378 134**	**7 005**	**371 128**
Receivables	15 320		15 320
Cash and cash equivalents	151 189		151 189
Total current assets	**166 509**	**-**	**166 509**
TOTAL ASSETS	**544 643**	**-**	**537 637**

Amounts in NOK thousands	01.01.2019	Effects from IFRS 16	31.12.2018
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	5 262		5 262
Share premium reserve	821 131		821 131
Other reserves	41 239		41 239
Retained earnings	-522 481		-522 481
Translation differences	29 546		29 546
Total equity	**374 696**	**-**	**374 696**
Non-current liabilities			
Interest-bearing liabilities	43 933		43 933
Deferred tax	59 632		59 632
Lease liabilities	7 005	7 005	
Total non-current liabilities	**110 570**	**7 005**	**103 565**
Current liabilities			
Interest-bearing liabilities	9 127		9 127
Accounts payable and other current liabilities	12 372		12 372
Accrued public charges	3 370		3 370
Other short-term liabilities	34 508		34 508
Total current liabilities	**59 377**	**-**	**59 377**
TOTAL EQUITY AND LIABILITIES	**544 643**	**7 005**	**537 637**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