



Interim Report

Q3 and YTD 2014

targovax

Interim report to shareholders of Targovax AS

– Third Quarter and YTD 2014

THE COMPANY IN BRIEF

Targovax AS is a Norwegian company founded in 2010 by world pioneers in cancer immunotherapy, based on a substantial body of data from non-clinical and clinical research. Targovax AS develops active immunotherapy in the form of cancer specific therapeutic vaccines. The vaccines stimulate the patients' immune system to recognize and kill cancer cells having mutations in the RAS genes. There is a large unmet need for treatment of cancers with RAS mutations. The lead product TG01 is under clinical development for the treatment of resected pancreatic cancer.

HIGHLIGHTS FOR THE THIRD QUARTER AND YTD 2014

On November 5th, Targovax reported Gunnar Gårdemyr as new CEO from January 12th, 2015.

On November 3rd, Targovax reported that primary endpoint regarding immune response and side effects was already reached for the ongoing clinical trial CT TG01-01 investigating TG01 in operable pancreatic cancer. Recruitment of patients for the clinical trial will continue according to protocol and plan as basis for readout of secondary endpoints.

Further process development and production to assure appropriate product quality for the next step of clinical development progressed according to plan.

Targovax's international clinical advisory board for pancreatic cancer supported and encouraged the development of TG01 in this indication.

For TG02, pre-clinical testing was initiated and production of clinical trial materials progressed according to plan.

Harald Arnet has been elected as new member of the board of directors, representing the second largest owner, Datum AS.

KEY FIGURES					
NOK 1000	Q3 2014	Q3 2013	YTD 2014	YTD 2013	2013
Total operating revenues	858	1 719	2 005	3 255	4 701
Net expenses	-4 915	-3 435	-10 980	-8 122	-11 831
Operating profit/loss	-4 057	-1 716	-8 975	-4 868	-7 130
Financial items, net	1	-14	-10	-32	-15
NET PROFIT/LOSS	-4 056	-1 730	-8 986	-4 900	-7 144
Basic and diluted earnings (loss) per share	-0,43	-0,37	-1,27	-1,17	-1,52
Number of employees	5	4	5	4	4
Net change in bank deposits, cash and equivalents	-3 232	-2 263	60 639	-2 674	5 057
Bank deposits, cash and equivalents at the beginning of period	72 241	2 902	8 370	3 313	3 313
BANK DEPOSITS, CASH AND EQUIVALENTS AT END OF PERIOD	69 009	639	69 009	639	8 370

OPERATIONAL REVIEW

On November 3rd, Targovax reported reaching an important milestone in the ongoing clinical trial investigating its cancer vaccine TG01 for treatment of operable pancreatic cancer. The primary endpoint for the ongoing clinical trial CT TG01-01, regarding immune response and side effects, was already reached. Recruitment of patients for the clinical trial will continue according to protocol and plan as basis for assessment of secondary endpoints.

The lead product TG01 is under development for the treatment of resected (operated) pancreatic cancer. Pancreatic cancer affects 116 000 patients per year in the EU and USA, of whom 16-20 000 are resectable (2011 figures, www.globocan.iarc.fr). Approximately 90% of pancreatic cancers have RAS mutations (Prior et al, 2012). Targovax has obtained Orphan Drug Designation for TG01 for the treatment of pancreatic cancer in the EU and USA.

Phase II of the clinical trial CT TG01-01 is ongoing at internationally renowned clinical centers: Oslo University Hospital, the Norwegian Radium Hospital (Oslo, Norway), The Christie Hospital, Manchester, UK and Clatterbridge Cancer Centre, Liverpool University, Liverpool, UK. The trial is an open label, single-arm phase I/II trial planned to enroll 18 patients. The primary objectives of the trial are safety and immune response to TG01 vaccination when combined with gemcitabine (endpoint reached as reported above). The secondary objective is survival at two years. At the end of Q3, the enrollment of patients in phase II of CT TG01-01 trial is progressing as planned. Enrollment is expected to be completed by the end of 2014.

For the pipeline product TG02, the planning of phase I clinical development is ongoing. Pre-clinical testing and production of clinical trial materials are ongoing.

On November 5th, Targovax reported Gunnar Gårdemyr as new CEO from January 12th, 2015. Mr Gårdemyr has more than 30 years of international experience from the pharmaceutical and biotech industry. His experience includes management, business development, mergers & acquisitions, global marketing and commercial strategy. Prior to this position, he was Senior Vice President, Corporate Development/M&A, Global Business Development, Nycomed and Senior Vice President, Global Marketing, Takeda in Zurich, Switzerland, where he was in charge of the commercial

assessment of external business development licensing opportunities.

Harald Arnet has been elected as new member of the board of directors, representing the second largest owner, Datum AS. Harald Arnet is CEO and partner in the investment company Datum AS. He has almost 30 years experience as investor and investment banking.

Targovax has moved into new facilities in Vollsveien 6, and has one new employee in clinical operations. Contracts are signed for two further key positions: VP Quality Assurance and Senior Project Manager Drug Development.

FINANCIAL REVIEW

Figures in brackets are from the comparable period in 2013.

Results 3rd Quarter 2014 and YTD

Revenues amounted NOK 858 000 (NOK 1 719 000) in the third quarter and NOK 2 005 000 (NOK 3 255 000) in YTD 2014. The revenues are mainly governmental grants received by Targovax to support its product development projects.

Operating expenses amounted to NOK 4 915 000 (NOK 3 435 000) in the third quarter and NOK 10 980 000 (NOK 8 122 000) YTD 2014. The increase in other operating costs reflects increased product testing activities.

The net loss for the period amounted to NOK 4 056 000 (NOK 1 730 000) in the third quarter and NOK 8 986 000 (NOK 4 900 000) YTD 2014.

Financial position and cash flow

The shareholders' equity and bank deposits decreased NOK 4 420 000 and 3 232 000 MNOK respectively due to operational activities. Shareholders' equity was NOK 68 748 000 (NOK 2 446 000) and the bank deposits amounted to NOK 69 009 000 (NOK 639 000) at the end of Q3 2014. The equity ratio and cash ratio were both 92%. The company is properly funded for its planned activities.

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements based on uncertainty, since they relate to events and depend on circumstances that will occur in future and which, by their nature, will have an impact on the results of operations and the financial condition of Targovax. Such forward-looking statements reflect the current views of Targovax and are based on the information currently available to the company. Targovax cannot give any assurance as to the correctness of such statements. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied in these forward-looking statements. These factors include, among other things, risks or uncertainties associated with the success of future clinical trials; risks relating to personal injury or death in connection with clinical trials or following commercialization of the company's products, and liability in connection therewith; risks relating to the company's freedom to operate (competitors patents) in respect of the products it develops; risks of non-approval of patents not yet granted and the company's ability to adequately protect its intellectual property and know-how; risks relating to obtaining regulatory approval and other regulatory risks relating to the development and future commercialization of the company's products; risks that research and development will not yield new products that achieve commercial success; risks relating to the company's ability to successfully commercialize and gain market acceptance for Targovax's products; risks relating to the future development of the pricing environment and/or regulations for pharmaceutical products; risks relating to the company's ability to secure additional financing in the future, which may not be available on favorable terms or at all; risks relating to currency fluctuations; risks associated with technological development, growth management, general economic and business conditions; risks relating to the company's ability to retain key personnel; and risks relating to the impact of competition.

OUTLOOK

Targovax's focus in the next 12 months will be on continued development of its lead product TG01 and other product in the pipeline:

- › Complete enrollment of 18 patients for the clinical trial CT TG01-01 by the end of 2014.
- › Develop the clinical trial design of a randomized phase II clinical trial with TG01 in resected pancreatic cancer
- › Produce TG02 for clinical phase I development
- › Establish pre-clinical documentation to support a Clinical Trial Application for phase I development of TG02
- › Develop protocol for first clinical trial with TG02

Targovax will continue to strengthen its organization and infrastructure to meet its objectives.

STATEMENT OF PROFIT AND LOSS, UNAUDITED

NOK 1000	Q3 2014	Q3 2013	YTD 2014	YTD 2013	2013
OPERATING REVENUES					
Grants	858	1 417	1 953	2 920	4 337
Other revenues	-	302	52	335	364
TOTAL OPERATING REVENUES	858	1 719	2 005	3 255	4 701
OPERATING EXPENSES					
Payroll expenses	-1 320	-1 254	-3 386	-3 301	-4 721
Other operating expenses	-3 595	-2 181	-7 594	-4 821	-7 110
TOTAL OPERATING EXPENSES	-4 915	-3 435	-10 980	-8 122	-11 831
OPERATING PROFIT/LOSS	-4 057	-1 716	-8 975	-4 868	-7 130
NET FINANCIAL ITEMS	1	-14	-10	-32	-15
PROFIT/LOSS FOR THE PERIOD	-4 056	-1 730	-8 986	-4 900	-7 144
ALLOCATION OF PROFIT/LOSS FOR THE PERIOD					
Transferred to other equity	-4 056	-1 730	-8 986	-4 900	-7 144
TOTAL ALLOCATIONS	-4 056	-1 730	-8 986	-4 900	-7 144

STATEMENT OF BALANCE SHEET, UNAUDITED

NOK 1000	30.09.2014	30.09.2013	31.12.2013
ASSETS			
Office furnitures	158	-	-
TOTAL FIXED ASSETS	158	-	-
Receivables			
Trade debtors	-	378	189
Other receivables	5 994	6 557	5 637
TOTAL RECEIVABLES	5 994	6 935	5 826
Bank deposits	69 009	639	8 370
TOTAL CURRENT ASSETS	75 003	7 574	14 197
TOTAL ASSETS	75 161	7 574	14 197
EQUITY AND LIABILITIES			
EQUITY			
Paid-up equity			
Share capital	943	470	470
Share premium reserve	102 396	20 368	20 368
TOTAL PAID-UP EQUITY	103 339	20 839	20 839
Retained earnings			
Other equity	-34 227	-18 393	-20 637
TOTAL RETAINED EARNINGS	-34 227	-18 393	-20 637
TOTAL EQUITY	69 112	2 446	201
LIABILITIES			
Short-term liabilities			
Trade creditors	2 372	1 802	2 657
Unpaid public charges	716	680	454
Other short-term liabilities	2 961	2 646	10 884
TOTAL SHORT-TERM LIABILITIES	6 049	5 128	13 996
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TOTAL SHORT-TERM LIABILITIES	75 161	7 574	14 197

NOTES TO THE INTERIM FINANCIAL STATEMENTS, UNAUDITED

1. GENERAL INFORMATION

Targovax AS is a limited company, domiciled in Norway. Its headquarters are situated in Vollsveien 6, 1366 Lysaker.

The figures in this third quarter report 2014 are non-audited figures.

The financial statements were approved for issue by the Board of Directors on 19 November 2014.

2. BASIS FOR PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

The accounting principles for this interim report are based on the Norwegian Accounting Act and the Norwegian accounting standard for small businesses (NRS 8).

There are no changes in principles described in the annual report issued for 2013.

3. CHANGE IN BANK DEPOSITS, CASH AND EQUIVALENTS

NOK 1000	Q3 2014	Q3 2013	YTD 2014	YTD 2013	2013
Loss for the period	-4 056	-1 730	-8 986	-4 900	-7 144
Adjustmentes for net financials	-1	14	10	32	15
Adjustments for change in working capital	984	-533	1 888	-3 075	-1 289
NET CASH FLOW FROM OPERATING ACTIVITIES	-3 073	-2 249	-7 087	-7 942	-8 418
Purchase of office furnitures	-160	-	-160	-	-
NET CASH FLOW FROM INVESTMENT ACTIVITIES	-160	-	-160	-	-
Net financials and share issue expenses	1	-14	-4 614	-32	-15
Proceeds from debt	-	-	-10 000	-2 200	5 990
Proceeds from equity issue	-	-	82 500	7 500	7 500
NET CASH FLOW FINANCING ACTIVITIES	1	-14	67 886	5 268	13 475
Net change in bank deposits, cash and equivalents	-3 232	-2 263	60 639	-2 674	5 057
Bank deposits, cash and equivalents at beginning of period	72 241	2 902	8 370	3 313	3 313
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4. CHANGE IN EQUITY

NOK 1000	Share capital	Share premium reserve	Other equity	Total
Equity 01.01.2013	370	12 968	-13 493	-155
Share issue	100	7 400	0	7 500
Proifit/loss H1 2013	0	0	-3 170	-3 170
Equity 30.06.2013	470	20 368	-16 663	4 175
Profit/loss Q3 2013			-1 730	-1 730
EQUITY 30.09.2013	470	20 368	-18 393	2 446
Equity 01.01.2014	470	20 368	-20 637	201
Share issue *)	473	82 027	-4 604	77 896
Profit/loss H1 2014	0	0	-4 929	-4 929
Equity 30.06.2014	943	102 396	-30 170	73 168
Profit/loss Q3 2014			-4 056	-4 056
EQUITY 30.09.2014	943	102 396	-34 227	69 112

*) Share issue expenses charged directly to other equity.

5. NUMBER OF SHARES AND SHARE OPTIONS

Movement in the number of shares	2014	2013
Ordinary shares at 1 January	4 703 000	3 703 000
Issue of ordinary shares H1	4 726 403	1 000 000
Issue of ordinary shares Q3	-	-
ORDINARY SHARES AT 30 SEPTEMBER	9 429 403	4 703 000

The nominal value of the shares is NOK 0.10.
All share carry equal voting rights.

SHARE OPTIONS

100.000 share options have been issued to key employers with an exercise price NOK 7.50.

The shareoptions can be exercised as follows:

- 34.000 between 5 November 2013 and 5 November 2017
- 33.500 between 5 November 2014 and 5 November 2017
- 32.500 between 5 November 2015 and 5 November 2017

6. EARNINGS PER SHARE

Movement in the number of shares	Q3 2014	Q3 2013	YTD 2014	YTD 2013	2013
Loss for the period (NOK 1000)	-4 056	-1 730	-8 986	-4 900	-7 144
Average number of outstanding shares during the period	9 429 403	4 703 000	7 066 202	4 203 000	4 703 000
EARNING(LOSS) PER SHARE - BASIC AND FULLY DILUTED	-0,43	-0,37	-1,27	-1,17	-1,52

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognized as the company is currently loss-making. Hence an increase of number of shares would decrease loss per share (anti-dilutive effect).

7. SHAREHOLDER INFORMATION

Shareholders per 30 September 2014	Shares	Owner share
RADIUMHOSPITALET FORSKNINGSTIFTELSE	3 410 589	36,2 %
DATUM AS	1 162 000	12,3 %
TIMMUNO AS	724 650	7,7 %
PRIETA AS	720 000	7,6 %
ALGOT INVEST AS	460 785	4,9 %
BIRK VENTURE AS	438 657	4,7 %
TRYGVE SCHIØRBECKS E	286 449	3,0 %
ARCTIC FUNDS PLC BNY MELLON SA/NV	186 000	2,0 %
PORTIA AS	182 000	1,9 %
OP-EUROPE EQUITY FUN C/O CITIBANK NA	157 869	1,7 %
TOTAL 10 LARGEST SHAREHOLDERS	7 728 999	82,0 %
70 Other shareholders, each representing an ownership of less than 1.7%	1 700 405	18,0 %
TOTAL: 80 SHAREHOLDERS	9 429 404	100,0 %

Key persons with shares and share options in the company			Shares	Share options
Hans Ivar Robinson	Board member	Indirect through Birk Venture AS	438 657	-
Tom A. Thorsen	Board member	Indirect thorough Algot Invest AS	460 785	-
Hanne M. D. Kristensen	CEO	Direct ownership	10 160	50 000
Jon Amund Eriksen	COO	Indirect through Timmuno AS	724 650	-
Berit Iversen	Vice President	Direct ownership	3 254	25 000
Gustav Gaudernack	Chief Scientific Advisor	Indirect through Prieta AS	720 000	-

INFORMATION

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