
Third quarter results
2020
targovax

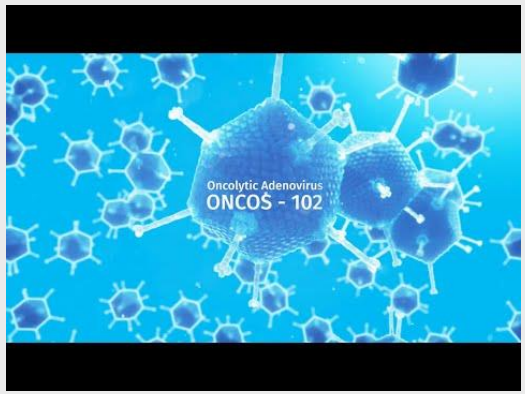
About Targovax

Activating the patient's immune system to fight cancer

Targovax (OSE:TRVX) is a clinical stage immuno-oncology company developing immune activators to target hard-to-treat solid tumors. Targovax aims to unlock greater clinical benefits in cancer patients by deploying multifunctional platforms to target key immune regulators and oncogenic drivers. Targovax's focus is to "activate the patient's immune system to fight cancer", thus extending and transforming the lives of cancer patients with targeted therapeutic cancer immunotherapies. The Group's pipeline aims at different cancer indications, including melanoma, mesothelioma and colorectal cancer. The products are designed to harness the patient's own immune system to fight the cancer, whilst also delivering a favorable safety and tolerability profile. Further, the products are well positioned for combinations with other treatment approaches, including other immunotherapies, surgery, radiation and chemotherapy.

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 colorectal cancer 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 to the right or via our website.



Third quarter presentation

Targovax management will hold an online presentation 5 November at 10:00 CET.

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

Upcoming conferences

9-14 Nov 2020:	Society for Immunotherapy of Cancer (SITC), virtual
17 Nov 2020:	Bryan Garnier: European Healthcare Conference, virtual
15 Dec 2020:	DNB Healthcare seminar, virtual
11-14 Jan 2020:	H.C. Wainwright conference, virtual

Upcoming data milestones

2H 2020:	ONCOS-102 phase I/II trial in unresectable malignant pleural mesothelioma *– Updated survival data*
2H 2020:	ONCOS-102 phase I trial in checkpoint inhibitor refractory advanced melanoma *– Part 2 clinical data*

Financial Calendar 2020

18 Feb 2021:	Fourth Quarter presentation
18 Feb 2021:	Annual Report

Recent highlights

Data

- Announced that the ONCOS-102 and Imfinzi (durvalumab) trial successfully completed part 1 in colorectal cancer. The pre-defined disease control efficacy threshold in the colorectal cancer cohort was met and the part 2 has opened for recruitment of 14 additional patients.

- Announced that an abstract on the mesothelioma trial has been accepted and will be presented at the Society for Immunotherapy of Cancer (SITC) 35th Anniversary Annual Meeting, 9 -14 November 2020. The abstract presents the 12-month analysis of biomarkers and clinical outcome from the phase I/II trial in malignant pleural mesothelioma where ONCOS-102 is added to standard of care chemotherapy (pemetrexed / cisplatin). This analysis supports the data previously presented in June.

Corporate

- Completed a private placement, raising gross proceeds of approximately NOK 75 million (USD 8 million). The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in the Nordics and internationally, and the transaction was oversubscribed multiple times.

- Announced grant of European Patent no 3293201 by the European Patent Office. The patent covers the use of ONCOS-102 in combination with checkpoint inhibitors until 2036.

- Formed a new Scientific Advisory Board (SAB), consisting of a group of world-renowned experts in immuno-oncology research and drug development carefully selected to act as advisors to guide the Targovax R&D strategy.

Key Figures

Amounts in NOK thousands	3Q 2020	3Q 2019	9M 2020	9M 2019	FY 2019
Total operating revenues	34	6	624	18	2 251
Total operating expenses	-22 073	-26 693	-81 652	-110 946	-152 524
Operating profit/loss	-22 039	-26 687	-81 028	-110 929	-150 273
Net financial items	-718	349	-1 089	-2 079	2 422
Income tax	73	85	220	248	321
Net profit/loss	-22 684	-26 253	-81 898	-112 759	-147 529
Basic and diluted EPS (NOK/share)	-0.30	-0.41	-1.10	-1.88	-2.43
Net change in cash	-23 808	-30 906	7 228	-47 170	-80 760
Cash and cash equivalents start of period	101 465	134 924	70 429	151 189	151 189
Cash and cash equivalents end of period	77 657	104 019	77 657	104 019	70 429

CEO statement

As the end of 2020 is approaching, we are entering a period of intensive data analysis and reporting from our ongoing ONCOS-102 clinical program. Important efficacy and immune marker readouts from our two Targovax-sponsored ONCOS-102 trials in mesothelioma and melanoma are due late in the year. In October we reported that the pre-defined threshold for clinical benefit was met in the colorectal cancer cohort of the ONCOS-102 and Imfinzi collaboration trial. The second part of this trial has now been opened for recruitment, and results are expected in about a year's time. As we wrap up these phase I/II clinical trials, we are in parallel planning the next steps for ONCOS-102 development and expanding our pre-clinical pipeline to shape our future R&D programs.

Clinical trials update

Targovax runs clinical trials of ONCOS-102 in several indications. The phase I/II trial in mesothelioma, adding ONCOS-102 to chemotherapy in first and later line patients, reported 6-month data in January and 12-month data in June. It was demonstrated that ONCOS-102 provides best-in-class immune activation and the encouraging median Progression Free Survival (mPFS) has provided an early signal of clinical benefit. The mPFS for ONCOS-102 treated first line patients was 8.9 months, which compares favorably to chemotherapy historical controls of 5.7-7.3 months and the chemotherapy control group of 7.6 months. However, as mPFS has shown limited predictive value for patient outcomes with immunotherapy in mesothelioma, the most important efficacy measure for this disease is overall survival. At 12 months the survival rate for ONCOS-102 treated first line patients was 64% versus 50% in the first line control group, which is promising. Towards the end of 2020 there will be an 18-month follow-up, and the survival read-out at this time point will provide very important insight into the clinical benefit that ONCOS-102 may provide to this difficult-to-treat patient population. We will continue to follow the patients, and a report on 2-year survival is due in the middle of 2021. For the next steps in mesothelioma, we have secured Merck as a collaborator. A plan is being developed with Merck of how to best move forward in this indication.

The trial in anti-PD-1 checkpoint inhibitor refractory melanoma patients is fully recruited and will soon read out. Last summer, we reported solid data from part 1 of the trial showing a 33% response rate, which compares favorably to the leading drug candidates in development in this indication. In part 2 of this trial, the patients receive more ONCOS-102 injections over a longer time span. The trial sets out to test whether ONCOS-102 can reactivate the immune response in patients whose disease progresses after checkpoint inhibitor treatment. The aim is to trigger modulation of the tumor microenvironment and activation of tumor-specific T-cells to re-sensitize refractory patients to benefit from retreatment with a checkpoint inhibitor. If we succeed, more patients can benefit from checkpoint inhibitors, thus deepening responses and expanding the repertoire of treatment options for immunotherapy resistant patients.

Another important study is the combination trial with ONCOS-102 and AstraZeneca's anti-PDL1 checkpoint inhibitor Imfinzi in late-stage ovarian and colorectal cancers that have spread to the peritoneum, the inner lining of the abdomen. These patients normally have very limited benefit from checkpoint inhibitor monotherapy treatment. The rationale for the study is that adding ONCOS-102 will reshape the tumor microenvironment and induce T-cell responses that can enable response to checkpoint inhibitors, thereby opening up immunotherapy as a treatment option for a large population of patients that have a dire prognosis. The trial has a Simon's two-stage design, which entails that the efficacy results achieved in the first stage must exceed a pre-defined threshold before recruiting more patients into a second stage. In October, we reported that the colorectal cancer cohort had met this threshold, which means that the combination treatment of ONCOS-102 and Imfinzi delivered a better effect that what would have been expected by checkpoint inhibitor treatment alone. The second stage has therefore now been initiated for patients with colorectal cancer, and 14 additional patients will be recruited into the colorectal cohort of the trial. These patients are extremely hard-to-treat, so continuation in colorectal cancer is an excellent outcome, indicating that the ONCOS-102 and Imfinzi combination may hold potential for this patient population. The ovarian cancer cohort did not clear the threshold and will be stopped after the first stage.

Mutant RAS update

Based on our experience and data from vaccination with mutant RAS peptides (TG01), Targovax remains confident that mutant RAS is a robust and clinically relevant immunotherapeutic cancer target. Consequently, we continue to seek academic and commercial partnerships to bring forward immunological targeting of mutRAS. We do this in two ways, by a) looking for cost effective collaborations to test the TG mutRAS cancer vaccines in a clinical setting, and b) initiating innovative collaborations to build on our existing mutRAS expertise and IP to develop first-in-class mutRAS immunotherapy concepts – at the same time leveraging our ONCOS platform as a delivery tool. So far this year we have entered into both types of collaboration partnerships and we are active on multiple fronts to provide our mutRAS technology more options for development in the future.

Other pipeline initiatives

In addition to mutRAS, there is a range of other exciting targets we can envisage for a next generation of specialized, engineered ONCOS viruses. We have previously reported first results from preclinical testing of our next generation of proprietary adenoviruses, the ONCOS-200-series. The new viruses share the same adenovirus backbone, but whereas ONCOS-102 uses GM-CSF as a single transgene to enhance maturation of dendritic cells, the new viruses have double transgenes with different and novel targeting modalities.

We are developing novel ONCOS viruses both fully in-house and in collaborations with partners that have complementary targeting elements that can be delivered from our virus backbone. With the US company Leidos we are exploring whether their unique portfolio of checkpoint inhibitor peptides, Microtide™, can be encoded as a payload in the ONCOS virus backbone, thus creating a virus with in-built multi-checkpoint functionality. This could potentially serve as a platform where additional tumor-targeting functionalities can be added to stimulate multiple complementary anti-tumor mechanisms in parallel with one single product.

Scientific Advisory Board

We are pleased to have formed a new Scientific Advisory Board. The Scientific Advisory Board consists of Dr. Clynes, Dr. Zamarin and Prof. Fennel. In their capacity as world-leading experts in immuno-oncology drug development, oncolytic viruses and mesothelioma respectively, Dr. Clynes, Dr. Zamarin and Prof. Fennel cover the key scientific focus areas of Targovax. We are confident that the interactions with the advisory board will be very insightful and instrumental as we develop and implement the next phase of the Targovax R&D strategy.

Øystein Soug
CEO Targovax Group

Pipeline and newsflow

Product candidate	Preclinical	Phase I	Phase II	Collaborator*	Next expected event
ONCOS-102	**Mesothelioma** Combination w/ pemetrexed/cisplatin			MERCK	**2H20** Survival data
	Melanoma Combination w/Keytruda				**2H 2020** Part 2 clinical data
	Colorectal Combination w/Imfinzi			CANCER RESEARCH INSTITUTE, AstraZeneca	*Update by collaborator*
	Prostate Combination w/DCvac			sotio	*Update by collaborator*
ONCOS-200 series	**Next Gen viruses**			leidos	*Updates at conferences*
Novel mutRAS concepts				VALO, OBLIQUE THERAPEUTICS	

ONCOS-102 clinical development programs

Mesothelioma

- Randomized phase I/II open label trial
- 31 patients with unresectable malignant pleural mesothelioma, 1st and 2nd line
- Intra-tumoral ONCOS-102 in combination with standard of care chemotherapy (pemetrexed / cisplatin)
- End-points: safety of the combination treatment, immune activation and clinical response (ORR, PFS and OS)
- Conducted at four sites in Spain and France
- All patients have completed the treatment phase, and are in follow-up
- Most recent read-out: 12-month data
  - Encouraging mPFS of 8,9 months in first line patients treated with ONCOS-102
  - Unprecedented innate and adaptive immune activation in this population exceeding that achieved with chemotherapy alone
  - Strong association between immune activation and clinical outcome
  - First line mesothelioma identified as the focus for next phase of development

Melanoma

- Open-label, single arm phase I trial
- Up to 21 patients (two dose cohorts) with advanced checkpoint inhibitor 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) and Oslo University Hospital in Norway
- Part 2 of the trial is enrolling patients, where safety and efficacy of a more intensive treatment regimen of 12 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

Colorectal 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 32 patients who have metastatic colorectal cancer and have failed prior standard therapies
- ONCOS-102 intraperitoneally administered 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
- Most recent read-out October 2020:
  - Pre-defined disease control efficacy threshold in part 1 in colorectal cohort was met
  - Colorectal expansion cohort has been opened for recruitment of 14 additional patients

Prostate Cancer

- Collaboration with the Czech biotech company Sotio, which is sponsoring the trial
- Open label, single-arm phase I/II trial
- Up to 10 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

* ONCOS-102 is unencumbered.

Next generation ONCOS viruses

Three new ONCOS viruses with double transgenes have been cloned and validated in vitro and are now being tested in vivo.

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 (eg. cancer 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. 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.

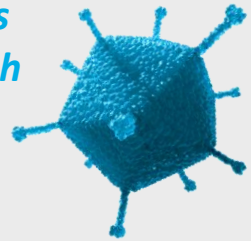
Data from a pre-clinical study with next-generation ONCOS-200 series viruses with novel anti-cancer double-transgenes were presented at the American Association for Cancer Research (AACR) Virtual Annual Meeting in June 2020. The pre-clinical in vitro and in vivo findings demonstrated that both ONCOS-210 & ONCOS-212 have anti-cancer properties and that the double transgenes act synergistically. The encouraging preclinical findings will be further investigated to elucidate transgene functionality and mode of action.

In June 2020, Targovax entered into a collaboration agreement with the Explorations in Global Health (ExGloH) Division of Leidos to evaluate the potential of using ONCOS oncolytic adenoviruses as a vector to encode Microtide™ checkpoint inhibitor peptides as gene sequences. This combination is promising since checkpoint inhibition complements oncolytic virotherapy by blocking the tumor's main defense mechanism against the anti-tumor immune response generated by the oncolytic virus.

ExGloH has developed a unique, proprietary portfolio of microbially-derived peptides, called MicrotideTM, that act as immune checkpoint inhibitors. The simple structure and small size of Microtide™ peptides make them well-suited for delivery by DNA vectors, and the parties will explore whether this capability can be extended to ONCOS viruses. If successful, this could potentially circumvent the need to combine ONCOS with classical systemically delivered checkpoint inhibitors.

Under the agreement, Leidos and Targovax will investigate the technical feasibility, immune modulatory, and anti-cancer properties of encoding Microtide™ checkpoint peptides in the ONCOS adenovirus backbone both in vitro and in vivo. If successful, the combined ONCOS and Microtide™ constructs may serve as a platform where additional functionality can be built in to stimulate multiple complementary anti-tumor mechanisms.

"Next generation ONCOS-200 series viruses have double transgenes with distinct modes of action"



Mutant RAS platform

Two new RAS collaborations were signed during the first half 2020

The mutant RAS program is based on our shared neoantigen vaccine targeting mutant RAS cancers. Oncogenic RAS mutations are the key genetic driver behind many cancers and therefore considered a central target in oncology drug development. 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. These data were corroborated by broad and lasting immune responses in vaccinated patients, and some examples of clearance of residual mutant RAS cancer cells after surgery. The Company has attained Orphan Drug Designation for TG01 in pancreatic cancer in both US and Europe.

Targovax is actively working to create shareholder value from the TG technology through collaborations and partnerships. Consistent with this approach, in January 2020, Targovax and IOVaxis Therapeutics entered into an option agreement for an exclusive license to develop and commercialize the TG01 and TG02 vaccines in Greater China and Singapore. The intention is that IOVaxis will exercise the option to license TG upon the first regulatory approval to start a clinical trial in the territory. For this right, IOVaxis has paid Targovax an option fee of USD 250.000, and will pay an additional USD 3 million up-front fee when the option is exercised into an exclusive license. The total development and commercial milestones in the deal are worth up USD 100 million, in addition to tiered royalties on sales up to the mid-teens. Moreover, in 2019, Targovax granted Zelluna Immunotherapy a non-exclusive license to intellectual property relating to mutant

RAS T-cell receptor technology. The potential value of this freedom-to-operate license amounts to NOK 100m (USD 12m) in milestones and annual fees.

In April 2020, Targovax and Valo Therapeutics entered into a research collaboration to evaluate Valo's PeptiCRAd technology as a tool to coat ONCOS oncolytic adenoviruses with Targovax's TG mutant RAS peptides. Valo's PeptiCRAd technology has been developed to coat oncolytic viruses with tumor antigen peptides for enhanced immune activation and local delivery of antigens directly into the tumor site in order to stimulate an enhanced immune response to mutant RAS. With this collaboration, Targovax and Valo will test whether PeptiCRAd coating of ONCOS-102 adenovirus with TG mutant RAS peptides can generate enhanced systemic CD4+ and CD8+ T-cell responses against mutant RAS, and specifically direct these T-cells to the tumor site. If successful, this collaboration has the potential to generate a truly unique, first-in-class, mutant RAS-targeting oncolytic virus concept that could be brought forward into clinical development.

In June 2020, Targovax entered into a collaboration agreement with Oblique Therapeutics to evaluate the potential of using ONCOS oncolytic adenoviruses as a vector to encode and deliver Abiprot antibodies against hard-to-reach intra-cellular targets. Oblique has developed a unique, proprietary methodology to identify epitopes on targets that have previously proven difficult to address with antibodies. This approach can be extended to intra-cellular targets such as mutant RAS, however, delivering antibodies into cells remains a major obstacle. Targovax and Oblique anticipate that expression of Abiprot antibodies against such targets using ONCOS as a vector can overcome this challenge and boost the specificity and power of the anti-tumor response. Under the agreement the parties will jointly explore the technical feasibility and in vitro and in vivo functionality and anti-cancer activity of the ONCOS-Abiprot combination, initially focusing on mutant RAS as the target. If successful, this would provide a first-in-class oncolytic virus candidate directly targeting RAS and demonstrate proof-of-concept for ONCOS-Abiprot as a new technology platform.

IPR / Market exclusivity

Targovax owns a broad patent portfolio which is designed to protect its pipeline and includes different families of patents and patent applications covering product candidates in development, and relevant combination therapies. This patent portfolio also covers potential future product candidates. The Company continuously works to strengthen its patent portfolio.

In October 2020, Targovax was granted European Patent no 3293201 by the European Patent Office. The patent covers the use of ONCOS-102 in combination with checkpoint inhibitors until 2036 and protects Targovax's innovative oncolytic immunotherapy platform and strengthens the Company's market position.

Targovax has attained Orphan Drug Designation 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.

Preclinical development of ONCOS-102

Targovax has conducted several *in vivo* studies of ONCOS-102 in mesothelioma and melanoma mouse models to investigate the mode of action and assess the efficacy for the clinical combination strategies in these indications. Data have been published at scientific conferences and in leading, peer reviewed journals.

In a mesothelioma mouse model, it has been demonstrated that ONCOS-102 acts synergistically with chemotherapy to reduce tumor volume and drive tumor specific immune responses (Kuryk et al, 2018, JMV):

- Chemotherapy alone did not reduce tumor volume in the selected mouse model
- ONCOS-102 alone reduced tumor volume by 56%
- ONCOS-102 + chemotherapy reduced tumor volume by 75% relative to chemotherapy alone and by 33% relative to ONCOS-102 alone
- ONCOS-102 induced a mesothelin specific anti-tumor CD8+ T-cell response

Similarly, it has been shown that ONCOS-102 and PD-1 checkpoint inhibition (Keytruda) act synergistically in a humanized melanoma mouse model, driving both tumor volume reduction and anti-tumor T-cell immunity (Kuryk et al. Oncoimmunology 2018):

- Keytruda alone did not reduce tumor volume in the selected mouse model
- ONCOS-102 reduced tumor volume by 51%
- ONCOS-102 + Keytruda reduced tumor volume by up to 69%
- ONCOS-102+ Keytruda induced an abscopal effect, validating the proposed mode of action that ONCOS-102 can generate systemic anti-tumor immune responses (Kuryk et al. JMV 2019)

Experienced team

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

Management team

As per 5 November 2020:

Name	Position
Øystein Soug	CEO
Magnus Jäderberg	CMO
Torbjørn Furuseth	CFO
Erik Digman Wiklund	CBO
Victor Levitsky	CSO
Kirsi Hellström	Head of CMC
Ingunn Munch Lindvig	VP Regulatory Affairs

Board of Directors

As per 5 November 2020

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

Damian Marron (Chairperson), Catherine A. Wheeler, Johan Christenson, Robert Burns, Bente-Lill Romøren, Per Samuelsson, Diane Mellett and Eva-Lotta Allan.

Financial review

In October 2020, Targovax successfully completed a private placement, raising gross proceeds of approximately NOK 75 million (USD 8 million), through the allocation of 10,344,828 new shares at a subscription price of NOK 7.25 per share. The Private Placement took place through an accelerated book building process after close of market on 14 October 2020. The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in the Nordics and internationally, and the transaction was oversubscribed multiple times.

Results third quarter 2020

Operating expenses amounted to NOK 22 million (NOK 27 million) in the third quarter. The operating expenses are reported net of governmental grants which amounted to NOK 0 million in the period (NOK 1 million). The net loss amounted to NOK 23 million in the third quarter 2020 (NOK 26 million).

Results first nine months 2020

In the first nine months of 2020 Targovax had no core business revenue.

Operating expenses amounted to NOK 82 million (NOK 111 million) in the first nine months 2020. The operating expenses are reported net of governmental grants which amounted to NOK 2 million in the period (NOK 3 million). The net loss amounted to NOK 82 million in the first nine months 2020 (NOK 113 million).

Financial position and cash flow

Cash and cash equivalents were NOK 78 million at the end of the third quarter 2020 compared to NOK 101 million at the end of second quarter 2020 and NOK 135 million at the end of first quarter 2020.

Net cash flow from operating activities during the third quarter 2020 was negative by NOK 23 million compared to negative NOK 30 million in the third quarter 2019 and NOK 32 million in fourth quarter 2019.

Net cash flow from operating activities during the first nine months 2020 was negative by NOK 90 million compared to negative NOK 111 million in the first nine months 2019.

By the end of the period, total outstanding interest-bearing debt amounted to EUR 7 million, all to Business Finland.

Share information

By October 22, there were 86,520,592 shares outstanding, distributed between 5,471 shareholders. The 20 largest shareholders controlled 47.4% of the shares.

During Q3 2020, Targovax shares traded in the NOK 6.30 – 8.19 range. During the quarter, approx. 15.3 million shares were traded, with an aggregate trading value of NOK 107 million.

The closing price on 30 September 2020 was NOK 8.19 per share, corresponding to a market value of NOK 624 million.

The estimated share ownership situation on 22 October 2020:

	Estimated	
Shareholder	Shares million	Ownership
HealthCap	12.4	14.3 %
RadForsk	4.4	5.1 %
Nordea	4.3	4.9 %
Fjarde AP-Fonden	4.0	4.6 %
Thorendahl Invest	1.7	1.9 %
Bækkelaget Holding	1.5	1.8 %
Morgan Stanley & Co. Int.	1.4	1.6 %
State Street Bank (nom.)	1.4	1.6 %
Danske Bank (nom.)	1.3	1.5 %
MP Pensjon	1.2	1.4 %
10 largest shareholders	**33.5**	**38.8 %**
Other shareholders (5 469)	53.0	61.2%
Total shareholders	**86.5**	**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 2019 as well as in the recent prospectus, both available at www.targovax.com. Targovax is running clinical trials at several hospitals both in Europe and the US. As earlier reported, Targovax management is following the COVID-19 outbreak situation closely and is continuously monitoring whether any potential challenges arise. Currently there are no significant implications to our core operations due to the Corona pandemic.

Outlook

The ongoing ONCOS-102 phase I/II program is coming to its conclusion and the immune marker and efficacy data from several trials covering multiple cancer types and various combinations are maturing. The results from these trials will guide the next steps for ONCOS-102 clinical development. In parallel, we are broadening and advancing our pre-clinical pipeline to build on the expertise we have developed and ensure we stay at the forefront of both oncolytic virus and mutant RAS immunotherapy.

Collaborations are important to capitalize on our mutRAS knowhow and the versatility of the ONCOS platform. These innovations can enrich the future R&D pipeline with highly innovative molecules and scientific approaches which provides a wide horizon with multiple avenues to value creation.

Oslo, 4 November 2020

The Board of Directors of Targovax ASA

Damian Marron
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 2020

Condensed consolidated statement of profit and loss

Amounts in NOK thousands except per share data	*Note*	Unaudited 3Q 2020	Unaudited 3Q 2019	Unaudited 9M 2020	Unaudited 9M 2019	FY 2019
Other revenues		34	6	624	18	2 251
Total revenue		**34**	**6**	**624**	**18**	**2 251**
External R&D expenses	*3,4*	-9 426	-13 696	-36 909	-55 120	-80 286
Payroll and related expenses	*5,11*	-8 965	-7 700	-31 292	-38 830	-50 103
Other operating expenses	*3,4*	-2 298	-4 256	-10 043	-13 892	-18 109
Depreciation, amortizations and write downs		-1 384	-1 041	-3 408	-3 105	-4 026
Total operating expenses		**-22 073**	**-26 693**	**-81 652**	**-110 946**	**-152 524**
Operating profit/ loss (-)		-22 039	-26 687	-81 028	-110 929	**-150 273**
Finance income		501	590	2 013	1 417	3 698
Finance expense		-1 219	-240	-3 102	-3 496	-1 275
Net finance income/ expense (-)		**-718**	**349**	**-1 089**	**-2 079**	**2 422**
Loss before income tax		**-22 757**	**-26 338**	**-82 118**	**-113 007**	**-147 850**
Income tax income/ expense (-)		73	85	220	248	321
Loss for the period		**-22 684**	**-26 253**	**-81 898**	**-112 759**	**-147 529**
Earnings/ loss (-) per share						
Basic and dilutive earnings/loss (-) per share	*10*	**-0.30**	**-0.41**	**-1.10**	**-1.88**	**-2.43**

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

Amounts in NOK thousands	Unaudited 3Q 2020	Unaudited 3Q 2019	Unaudited 9M 2020	Unaudited 9M 2019	FY 2019
Income/ loss (-) for the period	-22 684	-26 253	-81 898	-112 759	-147 529
Items that may be reclassified to profit or loss:					
Exchange differences arising from the translation of foreign operations	4 577	5 284	32 645	-1 570	-2 703
Total comprehensive income/ loss (-) for the period	**-18 107**	**-20 969**	**-49 252**	**-114 329**	**-150 232**

Condensed consolidated statement of financial position

Amounts in NOK thousands	*Note*	Unaudited 30.09.2020	Unaudited 30.09.2019	31.12.2019
ASSETS				
Intangible assets	*6*	413 110	368 257	367 083
Property, plant, and equipment		140	799	726
Right-of-use asset		3 456	4 087	3 241
Total non-current assets		**416 706**	**373 142**	**371 050**
Receivables		14 074	19 809	15 429
Cash and cash equivalents		77 657	104 019	70 429
Total current assets		**91 731**	**123 828**	**85 857**
TOTAL ASSETS		**508 437**	**496 971**	**456 907**

Amounts in NOK thousands	*Note*	Unaudited 30.09.2020	Unaudited 30.09.2019	31.12.2019
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	*9*	7 618	6 338	6 338
Share premium reserve		978 756	886 899	886 899
Other reserves		51 220	45 713	46 885
Retained earnings		-751 908	-635 240	-670 010
Translation differences		59 488	27 976	26 843
Total equity		**345 174**	**331 686**	**296 955**
Non-current liabilities				
Interest-bearing liabilities	*7*	55 326	55 591	50 441
Deferred tax		65 720	59 075	58 822
Lease liabilities		2 253	419	-
Total non-current liabilities		**123 300**	**115 085**	**115 085**
Current liabilities				
Interest-bearing liabilities	*7*	8 443	-	-
Short-term lease liabilities		1 250	3 700	3 241
Accounts payable and other current liabilities		7 267	6 065	11 136
Accrued public charges		2 250	2 412	3 911
Other short-term liabilities		20 753	38 023	32 402
Total current liabilities		**39 963**	**50 200**	**50 690**
TOTAL EQUITY AND LIABILITY		**508 437**	**496 971**	**456 907**

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 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	9	1 066	73 585	-	-	-	74 651
Transaction costs - Private Placement		-	-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	-	-	4 475
Balance at 30 September 2019		**6 338**	**886 899**	**45 713**	**27 976**	**-635 240**	**331 686**
Loss for the period		-	-	-	-	-34 770	-34 770
Exchange differences arising from the translation of foreign operations		-	-	-	-1 133	-	-1 133
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**-1 133**	**-34 770**	**-35 903**
Recognition of share-based payments & RSU's	*11*	-	-	1 172	-	-	1 172
Balance at 31 December 2019		**6 338**	**886 899**	**46 885**	**26 843**	**-670 010**	**296 955**
Loss for the period		-	-	-	-	-81 898	-81 898
Exchange differences arising from the translation of foreign operations		-	-	-	32 645	-	32 645
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**-**	**32 645**	**-81 898**	**-49 252**
Issue of ordinary shares - Capital increase - Private Placement & Subsequent offering	*9*	1 263	99 759	-	-	-	101 021
Transaction costs - Private Placement & Subsequent offering		-	-7 884	-	-	-	-7 884
Share issuance, employee share options & RSU's	*9*	16	-18	-	-	-	-1
Recognition of share-based payments & RSU's	*11*	-	-	4 335	-	-	4 335
Balance at 30 September 2020		**7 618**	**978 756**	**51 220**	**59 488**	**-751 908**	**345 174**

Condensed consolidated statement of cash flow

Amounts in NOK thousands	*Note*	Unaudited 3Q 2020	Unaudited 3Q 2019	Unaudited 9M 2020	Unaudited 9M 2019	FY 2019
Cash flow from operating activities						
Loss before income tax		-22 757	-26 338	-82 118	-113 007	-147 850
Adjustments for:						
Finance income		-501	-590	-2 013	-1 417	-3 698
Finance expense		1 219	240	3 102	3 496	1 275
Interest received		155	372	351	1 200	1 524
Other finance expense		-179	159	-403	-9	-25
Share option & RSU expense	*11*	1 444	-318	4 335	4 475	5 646
Depreciation		1 384	1 041	3 408	3 105	4 026
Change in receivables		-607	-1 292	1 482	-4 489	-108
Change in other current liabilities		-3 410	-3 330	-17 766	-3 952	-3 307
Net cash flow from/(used in) operating activities		**-23 252**	**-30 055**	**-89 621**	**-110 600**	**-142 517**
Cash flow from investing activities						
Purchases of property, plant, and equipment (PPE)		-	-134	-	-134	-134
Net cash received from/(paid in) investing activities		**-**	**-134**	**-**	**-134**	**-134**
Cash flow from financing activities						
Loan from Business Finland		-	-	5 555	-	-
Interest paid	*7*	-192	-182	-417	-404	-627
Repayment of lease liabilities		-876	-1 031	-2 841	-3 080	-4 061
Share issue expense - Private Placement & subsequent offering		-	-	-7 884	-7 788	-7 788
Proceeds from Private Placement and subsequent offering		-	-441	101 021	74 651	74 651
Proceeds from exercise of options & RSU's		8	-	-1	-18	-18
Net cash generated from financing activities		**-1 061**	**-1 654**	**95 432**	**-63 360**	**62 156**
Net increase/(decrease) in cash and cash equivalents		**-24 312**	**-31 708**	**5 811**	**-47 374**	**-80 495**
Net exchange gain/loss on cash and cash equivalents		504	803	1 416	204	-265
Cash and cash equivalents at beginning of period		**101 465**	**134 924**	**70 429**	**151 189**	**151 189**
Cash and cash equivalents at end of period		**77 657**	**104 019**	**77 657**	**104 019**	**70 429**

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 Vollsveien 19, 1366 Lysaker, Norway.

The condensed interim financial information is unaudited. These financial statements were approved for issue by the Board of Directors on 4 November 2020.

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 2019 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 2020 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 2020.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. As at 30 September 2020, Targovax OY, located in Helsinki, Finland is 100% owned and controlled subsidiary. Targovax Solutions LLC was liquidated in second quarter 2020.

2.4 Going concern

As a result of the Private Placement in the first quarter 2020 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 2020. 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 2020		3Q 2019		9M 2020		9M 2019		FY 2019	
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	9 426	9 426	13 696	13 696	36 909	36 909	55 120	55 120	80 286	80 286
Payroll and related expenses	8 965	4 663	7 700	4 028	31 292	16 124	38 830	19 989	50 103	25 951
Other operating expenses	2 298	0	4 256	202	10 043	26	13 892	442	18 109	442
Depreciation, amortizations and write downs	1 384	-	1 041	-	3 408	-	3 105	-	4 026	-
Total operating expenses	**22 073**	**14 089**	**26 693**	**17 925**	**81 652**	**53 060**	**110 946**	**75 551**	**152 524**	**106 679**

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 2020	3Q 2019	9M 2020	9M 2019	FY 2019
External R&D expenses	117	565	1 460	2 827	3 334
Payroll and related expenses	221	105	234	514	592
Other operating expenses	0	5	1	34	38
Total grants	**339**	**675**	**1 695**	**3 375**	**3 964**

R&D projects have been approved for SkatteFUNN through 2022. For the third quarter 2020, the Group has recognized NOK 0.1 million and NOK 0.2 million as cost reduction in External R&D expenses and Payroll and related expenses.

See note 8 Government grants in the Annual Report 2019 for more information about grants.

5. Payroll and related expenses

Total payroll and related expenses for the Group are:

Amounts in NOK thousands	3Q 2020	3Q 2019	9M 2020	9M 2019	FY 2019
Salaries and bonus	6 316	6 377	22 645	23 889	31 628
Employer's national insurance contributions	797	817	2 806	3 026	4 910
Share-based compensation [1)]	1 444	-318	4 335	4 475	5 646
Pension expenses – defined contribution plan	443	638	1 313	1 609	1 915
Restructuring costs [2)]	-	4	-150	5 450	5 448
Other	187	288	575	895	1 147
Governmental grants	-221	-105	-234	-514	-592
Total payroll and related expenses	**8 965**	**7 700**	**31 292**	**38 830**	**50 103**

1) Share-based compensation has no cash effect.

2) Following the decision in 2019 to fully focus on the ONCOS platform, the number of employees has been reduced. The total provision for restructuring costs of NOK 5.4 million per 31 December 2019 was reduced by NOK 0,15 million as per 30 September 2020.

	30.09.2020	30.09.2019	31.12.2019
Number of employees calculated on a full-time basis as at end of period	18,5	22,5	20.0
Number of employees as at end of period	19	24	20

6. Intangible assets

As of 30 September 2020, the recognized intangible assets in the Group amounts to NOK 413 million. This is an increase from NOK 367 million as of 31 December 2019, 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 2019 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 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 NOK 62.3 million (EUR 6.3 million) as of 31 December 2019. The Group received an additional NOK 5.6 million (EUR 0,6 million) to one of the existing loans from Business Finland during the first quarter of 2020, hence outstanding loan as per 30 September 2020 is NOK 76,2 million (EUR 6,9 million). The loan's interest rate is assessed to be 7% lower than comparable market rates, hence NOK 1.4 million was recognized as a government grant recorded as a reduction to External R&D expenses in first quarter 2020.

NOK 8.4 million (EUR 0.8 million) of the total debt NOK 76,2 million (EUR 6.9 million) was short-term as per 30 September 2020. The Group will apply for an extension of the repayment-free period on the short-term loan.

Amortized interests are charged to financial expenses, amounting to NOK 2.3 million in first nine months of 2020 and NOK 2.2 million during full year 2019.

No new Business Finland loans have been awarded during the year 2020.

The table below shows a reconciliation of the opening balances for the liabilities arising from financing activities:

Changes in liabilities arising from financing activities *(Amounts in NOK thousands)*	Interest-bearing liabilities Business Finland loans
Interest-bearing liabilities 1 January 2019	**53 059**
Cash flow from financing activities	-
Exchange differences	-397
Additions to existing loans	-
Change to loan repayment schedules	-5 861
Other transactions without cash settlement	3 640
Interest-bearing liabilities 31 December 2019	**50 441**
Cash flow from financing activities	-
Exchange differences	6 798
Additions to existing loans	5 555
Change to loan repayment schedules	-
Other transactions without cash settlement	975
Interest-bearing liabilities 30 September 2020	**63 769**

See note 21 Interest-bearing debt in the Annual Report 2019 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 are assessed to approximate fair value.

	9M 2020		9M 2019		FY 2019	
Amounts in NOK thousands	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	16 973	16 973	19 809	19 809	15 429	15 429
Cash and cash equivalents	77 657	77 657	104 019	104 019	70 429	70 429
Total financial assets	**94 630**	**94 630**	**123 828**	**123 828**	**85 857**	**85 857**
Interest-bearing borrowings	63 769	63 769	55 591	55 591	50 441	50 441
Lease liabilities	3 504	3 504	4 120	4 120	3 241	3 241
Accounts payable and other current liabilities	10 166	10 166	6 065	6 065	11 136	11 136
Total financial liabilities	**77 439**	**77 439**	**65 775**	**65 775**	**64 818**	**64 818**

The tables below analyze 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 2020:

Amounts in NOK thousands	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	63 769	63 769
Total financial instruments at fair value	**-**	**-**	**63 769**	**63 769**

As at 30 September 2019:

Amounts in NOK thousands	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest-bearing borrowings	-	-	55 591	55 591
Total financial instruments at fair value	**-**	**-**	**55 591**	**55 591**

As at 31 December 2019:

Amounts in NOK thousands	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	50 441	50 441
Total financial instruments at fair value	**-**	**-**	**50 441**	**50 441**

9. Share capital and number of shares

In January 2020, Targovax successfully completed a private placement, raising gross proceeds of approximately NOK 101 million (USD 11.2 million), through the allocation of 12,627,684 new shares at a subscription price of NOK 8.00 per share. The Private Placement took place through an accelerated book building process after close of market on 22 January 2020.The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in Norway, Sweden, UK and the US and the book was covered multiple times.

The Private Placement and the issuance of the New Shares was resolved by the Company's board of directors (the "Board") at a board meeting held on 22 January 2020, based on the authorization granted at the Company's annual general meeting held on 30 April 2019.

Share capital as at 30 September 2020 is NOK 7 617 576.4 (31 December 2019: NOK 6 338 361.3) comprising 76 175 764 ordinary shares at nominal value NOK 0.10 (31 December 2019: 63 383 613 at NOK 0.10). All shares carry equal voting rights.

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

	3Q 2020	3Q 2019	9M 2020	9M 2019	FY 2019
Ordinary shares at beginning of period	76 087 492	63 383 613	63 383 613	52 616 448	52 616 448
Share issuance - Private Placement	-	-	12 627 684	10 664 430	10 664 430
Share issuance, employee share options and RSUs	88 272	-	164 467	102 735	102 735
Ordinary shares at end of period	**76 175 764**	**63 383 613**	**76 175 764**	**63 383 613**	**63 383 613**

In October 2020, Targovax successfully completed a private placement, see Note 12 Subsequent events.

The 20 largest shareholders are as follows at 30 September 2020:

Shareholder	# shares	%
HealthCap	12 459 075	16.4 %
Radiumhospitalets Forskningsstiftelse	4 427 255	5.8 %
Fjärde AP-fonden	3 000 000	3.9 %
VPF Nordea Kapital	1 808 448	2.4 %
Nordnet Livsforsikring AS	1 684 521	2.2 %
VPF Nordea Avkastning	1 669 274	2.2 %
Thorendahl Invest AS	1 500 000	2.0 %
Nordnet Bank AB	1 344 635	1.8 %
Danske Bank AS	1 210 209	1.6 %
Bækkelaget Holding AS	1 162 188	1.5 %
Morgan Stanley & Co. International	1 142 050	1.5 %
Sundt AS	960 000	1.3 %
Verdipapirfondet Nordea Norge Plus	851 203	1.1 %
MP Pensjon PK	848 977	1.1 %
J.P. Morgan Bank Luxembourg S.A.	830 000	1.1 %
Prieta AS	720 000	0.9 %
Saxo Bank A/S	486 299	0.6 %
Danske Bank AS	460 836	0.6 %
Tor Westerheim	460 000	0.6 %
Egil Pettersen	406 390	0.5 %
20 largest shareholders	**37 431 360**	**49.1 %**
Other shareholders (5 275)	38 744 404	50.9 %
Total shareholders	**76 175 764**	**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 2020:

Name	Position	No. of shares outstanding at 30 Sept. 2020
Key management:		
Øystein Soug[1)]	Chief Executive Officer	200 000
Magnus Jäderberg	Chief Medical Officer	20 000
Torbjørn Furuseth	Chief Financial Officer	15 000
Ingunn Munch Lindvig	VP, Regulatory Affairs	10 000
Total no. of shares owned by key management of the Group		**245 000**
Board of directors:		
Robert Burns	Board member	86 020
Eva-Lotta Coulter	Board member	51 368
Diane Mellett	Board member	44 149
Bente-Lill Romøren	Board member	20 327
Total no. of shares owned by the Board of Directors of the Group		**325 023**

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 2020	3Q 2019	9M 2020	9M 2019	FY 2019
Loss for the period	-22 684	-26 253	-81 898	-112 759	-147 529
Average number of outstanding shares during the period	76 099	63 384	74 776	59 888	60 769
Earnings/ loss (-) per share - basic and diluted	**-0.30**	**-0.41**	**-1.10**	**-1.88**	**-2.43**

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 in 2019 and 2020 the Board has resolved to issue new options to employees of the Company. In 2019 a total of 1 134 000 options for shares in the Company have been distributed amongst the current members of the key management and a total of 1 217 000 options for shares in the Company have been distributed amongst other employees. In 2020 a total of 275 000 options for shares in the Company have been distributed amongst the current members of the key management and a total of 100 000 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 third quarter and first nine months 2020 was NOK 1.2 million and 3.7 million. For the same period in 2019 it was NOK -0.6 million and NOK 3.7 million, and NOK 4.6 million for the full year 2019.

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 2020 and 2019 is estimated at average of 72.21% and 67.95 based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2020 and 2019 is 0.23% and 1.25%.

The following table shows the changes in outstanding options in 2020 and 2019:

	9M 2020		FY 2019	
	No. of options	Weighted avg.exercise price (NOK)	No. of options	Weighted avg.exercise price (NOK)
Outstanding at 1 January	6 028 642	15.26	4 252 304	19.61
Granted during the period	375 000	8.65	2 351 000	6.97
Exercised during the period	-	-	-	-
Forfeited during the period	-243 230	7.37	-574 662	13.57
Expired during the period	-456 533	22.67	-	-
Outstanding no. of options at end of period	**5 703 879**	**14.56**	**6 028 642**	**15.26**

The following table shows the exercised, granted and outstanding options for shares to Key Management of the Group at 30 September 2020:

		Share Options			
Name	Position	Granted 9M 2020	Outstanding 30.09.2020	Granted FY 2019	Outstanding 31.12.2019
Key management:					
Øystein Soug	Chief Executive Officer	-	1 310 000	300 000	1 310 000
Magnus Jäderberg	Chief Medical Officer	-	930 000	170 000	930 000
Erik Digman Wiklund	Chief Business Officer	-	560 000	260 000	560 000
Torbjørn Furuseth	Chief Financial Officer	-	430 000	230 000	430 000
Victor Levitsky	Chief Scientific Officer	250 000	250 000	-	-
Ingunn Munch Lindvig	VP Regulatory Affairs	-	117 000	117 000	117 000
Kirsi Hellström	Head of CMC	25 000	101 000	57 000	76 000
Total option for shares to key management of the Group		**275 000**	**3 698 000**	**1 134 000**	**3 423 000**
Board of directors:					
Robert Burns	Board member	-	21 235	-	21 235
Total option for shares to the Board of Directors of the Group		**-**	**21 235**	**-**	**21 235**

From 1 October 2020 to 4 November 2020 no new options for shares have been granted to Key Management of the Group.

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 RUs, 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 Annual General Meeting 29 April 2020 decided to remunerate the Board of Directors for the period between the AGM 2020 to the AGM 2021 with a combination of cash and Restricted Stock Units (RSUs), hence at the 29 April 2020, additional 95 491 RSU's were granted to the Board of Directors.

The expensed RSUs in third quarter and first nine months 2020 was NOK 0,2 million and NOK 0.7 million. For the same period in 2019 it was NOK 0,3 million and NOK 0,8 million, and NOK 1,1 million for the full year 2019. A total of 199 084 RSUs was outstanding at 30 September 2020.

The following table shows the changes in outstanding RSUs in 2020 and 2019:

	9M 2020		FY 2019	
	No. of options	Weighted avg.exercise price (NOK)	No. of options	Weighted avg.exercise price (NOK)
Outstanding at 1 January	268 060	0.10	200 428	0.10
Granted during the period	95 491	0.10	170 367	0.10
Exercised during the period	-164 467	0.10	-102 735	-
Forfeited during the period	-	-	-	0.10
Expired during the period	-	-	-	-
Outstanding no. of RSUs at end of period	**199 084**	**0.10**	**268 060**	**0.10**

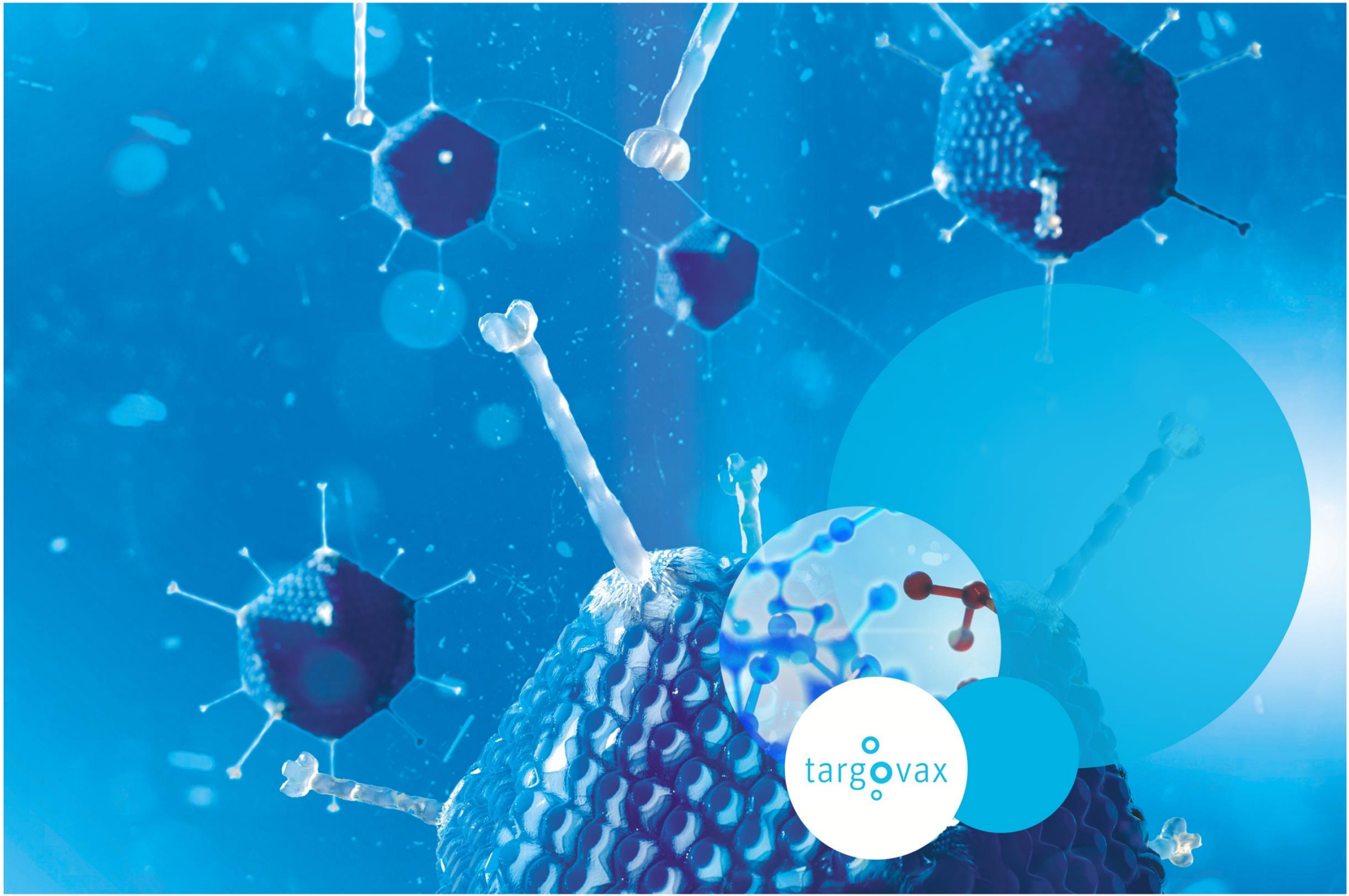
The following table shows the exercised, granted and outstanding RSUs to Board of Directors of the Group at 30 September 2020:

		RSUs			
Name	Position	Outstanding 31.12.2019	Granted 9M 2020	Exercised 9M 2020	Outstanding 30.09.2020
Board of Directors:					
Damian Marron	Chairperson of the Board	-	24 485	-	24 485
Robert Burns	Board member	45 747	42 604		88 351
Bente-Lill Romøren	Board member	30 113	-	-14 863	15 250
Diane Mellett	Board member	47 743	14 201	-26 445	35 499
Eva-Lotta Allan	Board member	15 249	14 201		29 450
Catherine A. Wheeler	Board member	6 049	-		6 049
Total Restricted Stock Units to Board of Directors of the Group		**144 901**	**95 491**	**-41 308**	**199 084**

From 1 October 2020 to 4 November 2020 no RSUs have been granted to the Board of Directors.

12. Subsequent events

In October 2020, Targovax successfully completed a private placement, raising gross proceeds of approximately NOK 75 million (USD 8 million), through the allocation of 10,344,828 new shares at a subscription price of NOK 7.25 per share. The Private Placement took place through an accelerated book building process after close of market on 14 October 2020. The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in the Nordics and internationally, and the transaction was oversubscribed multiple times.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