INTERIM REPORT
Q4 AND FY 2016

Interim report fourth quarter and full year 2016

2017 - an important year for clinical results - begins with encouraging TG01 interim survival data

HIGHLIGHTS FOR THE FOURTH QUARTER 2016 TO 31 DECEMBER 2016

- Targovax was granted a European Patent for the ONCOS platform lead product, ONCOS-102, extending patent coverage following the award of a similar US patent in June. These patents expire in 2029

- Øystein Soug was appointed as CEO on 1 November

- Targovax presented at a number of scientific and investor conferences in the period, including the European Society of Gene and Cell Therapy in October in Florence, Biotech and Money in November in London, and the DNB Nordic Healthcare Conference in December in Oslo

POST-PERIOD HIGHLIGHTS

- Targovax announced encouraging top line two-year survival data from TG01 clinical trial in resected pancreatic cancer patients

- Erik Digman Wiklund was appointed CFO of Targovax, succeeding Øystein Soug, the Company's new CEO, and will take up this role in April 2017

Key figures:

Amounts in NOK thousands	4Q 2016	4Q 2015	FY 2016	FY 2015
Total operating revenues	4	2	37	146
Total operating expenses	-31 291	-40 765	-119 548	-89 762
Operating profit/loss	-31 288	-40 763	-119 511	-89 616
Net financial items	-711	-846	-3 203	-269
Income tax	84	-1 956	260	-1 930
Net profit/loss	-31 914	-43 565	-122 454	-91 816
Basic and diluted EPS (NOK/share)	-0.76	-1.62	-3.55	-5.06
Net change in cash	-20 874	-32 796	-2 268	111 345
Cash and cash equivalents start of period	192 504	206 694	173 898	62 552
Cash and cash equivalents end of period	171 629	173 898	171 629	173 898

Øystein Soug, CEO said: "2016 was a successful year for Targovax. During the year we listed our shares on Oslo Axess, we successfully raised funds to finance the clinical trial program and we were granted European and US patents for ONCOS-102, extending the protection till 2029. Furthermore, in 2016 we prepared and set up

five new clinical trials in five indications. 2017 will be an even more important year as we start harvesting the data from these trials. We have already generated good momentum as we recently announced encouraging overall survival data in our TG01 proof of concept trial. We also expect to start a proof of concept trial of ONCOS-102 in checkpoint inhibitor refractory melanoma, where key interim data are expected later in the year."

About Targovax

Targovax is a clinical stage company focused on developing and commercializing novel immuno-oncology therapies to target, primarily, treatment-resistant solid tumors. Immuno-oncology is currently one of the fastest growing therapeutic fields in medicine.

The Company's development pipeline is based on two novel proprietary platforms:

The first platform, ONCOS, uses oncolytic viruses, an emerging class of biological therapy. ONCOS exclusively uses an adenovirus that has been engineered to be a tumor-targeted immune activator. The platform has the potential to generate therapies with superior efficacy and safety compared to the first approved oncolytic virus therapy, Imlygic®, launched by Amgen. We continue to expect key proof of concept data for this platform in 2017 from a clinical study of lead program ONCOS-102 in patients with refractory malignant melanoma.

The second platform, TG-Peptides (TGP), solely targets tumors that express mutated forms of the RAS protein. Mutations to this protein are common in many cancers and are known to drive aggressive disease progression and treatment resistance. There is a high unmet medical need for therapies that are effective against tumors that express these mutations. The TGP platform's therapeutic potential stems from its ability to enable a patient's immune system to identify and then destroy tumors bearing any RAS mutations. In early 2017, key proof of concept data for the TGP platform from a clinical study of TG01 in resected pancreatic cancer patients showed encouraging overall survival and will determine plans for the future clinical development of this platform.

Targovax's development pipeline has three novel therapeutic candidates in clinical development covering six indications. Already promising safety and tolerability data and early signs of clinical response have been demonstrated.

Both platforms are protected by an extensive portfolio of IP and know-how and have the potential to yield multiple product candidates in a cost-effective manner. We have a number in early stages of development in addition to the three outlined above.

In July 2016 the Company listed its shares on Oslo Axess.

OPERATIONAL REVIEW

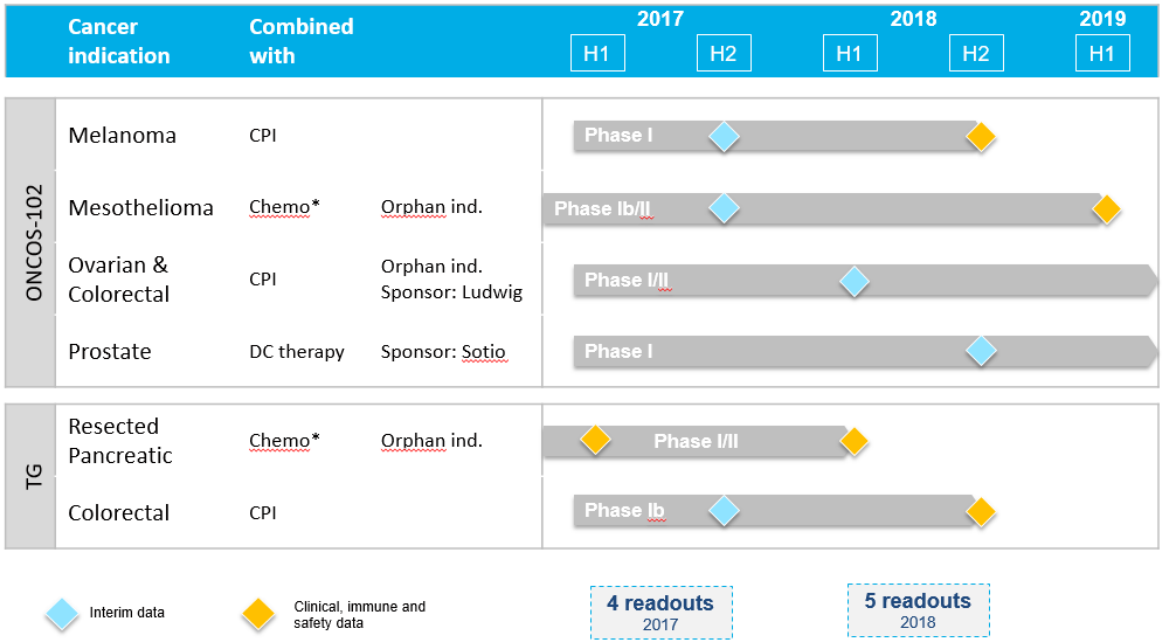
During the period Targovax continued development of its product candidates, both through its own clinical trials and through collaborations.

Targovax's strategy is to apply its two immunotherapeutic platform in multiple indications. The Company intends to retain the option to bring products to market directly, particularly in orphan indications, or to partner with pharmaceutical companies.

Currently, Targovax has:

- **two** platforms
- **two** ongoing clinical trials
- **three** product candidates in development
- **four** orphan drug designations
- **six** combination trials ongoing or about to start
- **eight additional** readouts anticipated in 2017 and 2018

CLINICAL DEVELOPMENT PROGRAM



Clinical development

ONCOS-102 in checkpoint inhibitor refractory melanoma

This trial is an open-label phase I trial exploring the safety and immune activation as well as clinical response of sequential treatment with ONCOS-102 and Keytruda® (a checkpoint inhibitor) in patients with advanced metastatic melanoma who have not responded to prior treatment with checkpoint inhibitors. The trial is being conducted at Memorial Sloan Kettering Cancer Center in New York, and the goal of the trial is to investigate whether these patients will respond to a checkpoint inhibitor after the ONCOS-102 priming treatment, i.e. if ONCOS-102 can turn on the immune system and make non-responding patients respond to a checkpoint inhibitor.

The trial is planned to include approximately 12 patients. The first patient will be enrolled in the first half of 2017. Preliminary immune activation data of initial treatments will constitute proof of concept in refractory melanoma and are expected in the second half of 2017. Clinical results from the sequential treatment are expected in second half of 2018.

ONCOS-102 in mesothelioma

This trial is a randomized phase II open label trial with a phase Ib safety lead-in of ONCOS-102 and pemetrexed/ cisplatin, the standard of care chemotherapy, in patients with un-resectable malignant pleural meso-thelioma. The trial is planned to include six patients in a lead-in for combination safety evaluation and approximately 24 patients in a randomized part to compare the tumor targeted immune activation of the combination treatment with the standard of care chemotherapy.

The first patient has been dosed in the safety cohort.

TG01 in pancreatic cancer

Targovax has an ongoing open label, phase I/II clinical trial with TG01, GM-CSF[1] and gemcitabine (chemotherapy) as adjuvant therapy for treating patients with resected adenocarcinoma of the pancreas. The trial is structured as a first cohort of 19 patients and a second cohort of 13 patients on a modified vaccination schedule. The primary objective of the study is an assessment of safety and immune activation, while the secondary objective is treatment efficacy including overall survival at two years. The recruitment to this trial was completed in May 2016 and the patients will be monitored for 24 months.

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

In March 2016, Targovax conducted a pre-determined interim survival analysis of the first cohort indicating promising survival data. Of the 19 patients included in the cohort, 15 patients provided consent to be followed up for survival and four patients did not. The one-year survival data showed that 14 out of these 15 patients were alive and one had passed away due to causes assessed by the investigator as unrelated to the

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

patients' underlying cancer. The regimen was generally well tolerated.[2]

In April 2016, Targovax reviewed interim data for early immune activation (DTH responses) in the modified treatment cohort. Four out of the five first recruited patients (of a total of 13 patients) showed an eight-week immune response. These results were in line with the analysis of the first cohort (in March 2015) where 18 out of 19 patients were eligible for immune response assessment and 15 patients had established a detectable early immune response.

In February 2017, Targovax announced encouraging top line two-year survival data from the same study: see section "Subsequent Events".

TG02 in colorectal cancer

TG02 will be the second TG cancer vaccine to enter the clinic from the Company's peptide-based immuno-therapy platform. This is an open label, non-randomized phase Ib exploratory trial to determine safety and anti-tumor immune activation of TG02, first as monotherapy then in combination with a checkpoint inhibitor, in patients with locally recurrent rectal cancer scheduled to have surgery.

Currently, the plan is to include approximately 20 patients in Australia and New Zealand. The first patient will be enrolled in first half of 2017.

Clinical trials with collaboration partners

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

The first clinical trial to be initiated as part of this collaboration is a non-randomized, open-label, phase I/II trial which will explore the combination of lead product ONCOS-102 with MedImmune's durvalumab, a PD-L1 (programmed death ligand-1) antibody currently in development. MedImmune is the global biologics research and development arm of AstraZeneca plc. The trial will recruit up to 78 patients with advanced peritoneal disease who have failed prior standard chemotherapy and have histologically confirmed platinum-resistant or refractory epithelial ovarian or colorectal cancer.

The objectives of the trial will include an assessment of safety, clinical efficacy, and immunological activity of ONCOS-102 in combination with durvalumab. The trial is being conducted in the USA and sponsored by Ludwig Cancer Research on behalf of the Cancer Research Institute.

Targovax also has an ongoing clinical collaboration with the Czech biotech company Sotio. The objective of the Sotio collaboration is to study the safety and tolerability of ONCOS-102 when combining the virus and Sotio's dendritic cell therapy DCVAC/PCa in prostate cancer patients.

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

[2] We subsequently received consent such that we were enable to report two-year overall survival for all patients in the first patient cohort

In both collaborations, the sponsor of the trial will be the collaboration partner. The plan is to recruit the first patients into both these trials during the first half of 2017.

Preclinical development

The International Journal of Cancer has recently published preclinical in vivo data in a mesothelioma xenograft model demonstrating synergy of ONCOS-102 with pemetrexed and cisplatin. These findings support the rationale for the ongoing trial of ONCOS-102 in combination with pemetrexed and cisplatin in patients suffering from malignant mesothelioma.

IPR / Market exclusivity

Targovax owns a patent portfolio protecting its pipeline with different families of patents and patent applications covering its product candidates in development as well as potential future product candidates. The Company continuously works to strengthen its patent portfolio.

The Company has Orphan Drug Designation for ONCOS-102 within mesothelioma, ovarian cancer, and soft tissue sarcoma[3] ensuring 10 and 7 years of market protection from the date of market approval. TG01 in pancreatic cancer has previously been granted Orphan Drug Designation in the EU and USA. In November, Targovax was granted a European patent for the virus platform lead product, ONCOS-102, extending patent coverage following the award of a similar US patent in June. These patents expire in 2029.

Experienced team

Targovax has a highly experienced management team with backgrounds from successful biotech companies as well as established pharmaceutical companies.

Management team:

Name	Position
Øystein Soug	CEO
Magnus Jäderberg	CMO
Jon Amund Eriksen	CTIO
Anne-Kirsti Aksnes	VP Clinical
Tina Madsen	VP QA
Peter Skorpil	VP BD
Tiina Hakonen	Site manager OY
Berit Iversen	VP CMC

Erik Digman Wicklund will take up the role as CFO in April 2017.

Board of Directors

The Board of Directors consists of highly skilled professionals with a broad range of relevant competences:

Jónas Einarsson, Bente-Lill Romøren, Per Samuelsson, Johan Christenson, Robert Burns and Lars Lund-Roland, Eva-Lotta Allan, and Diane Mellet.

Financial Review

Targovax merged with Oncos on 2 July 2015, therefore the figures in this report include the financial impact of Oncos from that date. Figures in parenthesis in this section are from the comparable period in 2015.

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

Results fourth quarter 2016

In the fourth quarter 2016 and 2015, Targovax had no core business revenue.

Operating expenses amounted to NOK 31m (NOK 41m) in the 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 32m in the fourth quarter 2016 (NOK 44m).

Full year 2016 results

Operating expenses amounted to NOK 120m (NOK 90m) during this period.

The operating expenses are presented net of governmental grants. The grants during the full year 2016 amounted to NOK 8m (NOK 9m). The prior year comparison include the impact of Oncos only from second half of 2015.

The net loss for the period amounted to NOK 122m (NOK 92m).

Financial position and cash flow

In 2016, Targovax raised NOK 114m in new equity and the proceeds from the placement have been allocated to funding clinical trials and general corporate purposes.

Net cash was NOK 172m at the end of the fourth quarter compared to NOK 193m three months previously and NOK 174m at the end of 2015. The change in net cash level in 2016 was driven by the NOK 106m net capital increase in third quarter offset primarily by operating activities. Net cash flow from operating activities during the fourth quarter was negative by NOK 23m, compared to negative NOK 20m in the third quarter 2016 and NOK 34m in fourth quarter 2015.

In 2016, TEKES issued additionally EUR 0.1m to an existing TEKES loan, and by the end of the period, Targovax's interest bearing debt amounted to NOK 40m, all from TEKES, the Finnish Funding Agency for Technology and Innovation.

Share information

In July 2016, Targovax shares were listed on the Oslo Axess exchange under the ticker TRVX. By 6 February 2017, there were 42,190,800 shares outstanding distributed to 2809 shareholders. The 20 largest shareholders controlled 68.4 percent of the shares. The estimated share ownership situation on 6 February 2017:

Shareholder		Estimated ownership	
		Shares m	*Relative*
HealthCap	Sweden	11,2	26,4 %
RadForsk	Norway	4,1	9,7 %
Nordea	Norway	2,6	6,1 %
Rasmussengruppen	Norway	1,8	4,3 %
KLP	Norway	1,7	4,0 %
Nordnet Livsforsikring	Norway	1,2	2,9 %
Statoil	Norway	0,9	2,2 %
Danske Bank (nom.)	Norway	0,8	1,8 %
Nordnet Bank AB (nom.)	Sweden	0,7	1,8 %
Timmuno AS	Norway	0,7	1,7 %
Prieta AS	Norway	0,7	1,7 %
Sundt AS	Sweden	0,4	0,9 %
Pohjola	Finland	0,3	0,8 %
DNB	Norway	0,3	0,7 %
Tobech Invest AS	Norway	0,3	0,7 %
Thorendahl Invest AS	Norway	0,3	0,6 %
Netfonds Livsforsikring AS	Norway	0,3	0,6 %
Avanza Bank AB (nom.)	Norway	0,3	0,6 %
Danske Bank (nom.)	Norway	0,2	0,4 %
Molnar	Norway	0,2	0,4 %
Top 20		28,9	68,4 %
Total		**42,2**	

During Q4 2016, Targovax-shares traded on Oslo Axess in the NOK 8.15 -14.80 range. During the quarter, some 13 million shares were traded, with an aggregate trading value of NOK 160m.

The closing price on 30 December 2016 was NOK 11.75 per share, corresponding to a market value

of NOK 496 million. The closing price on 15 February 2017 was NOK 24.00 per share, corresponding to a market value of NOK 1,012 million.

Subsequent events

CFO appointed

In January, Targovax announced the appointment of Erik Digman Wiklund as the Company's new Chief Financial Officer. He will take up this role in April 2017. Erik joins from the nutraceutical company Aker Biomarine Antarctic AS, where he held the position as Director of Product Innovation. He also has experience from Algeta ASA and McKinsey & Company.

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

In February 2017, Targovax announced encouraging top line two-year survival data from its TG01 clinical trial in resected pancreatic cancer patients. Data from this patient cohort showed that 68% of evaluated patients, or 13/19, were still alive after two years if survival is counted from time of resection which occurred on average two months prior to first treatment, or 12/19 if counted from time of first treatment. While the cohort is small and there is no control arm, this rate compares favorably with the available published historical two-year survival rates of resected cancer patients treated with gemcitabine alone of between 30% and 53%[4]. This is a key milestone for Targovax and triggers a further iteration of plans for the future clinical development of TG01.

Outlook

Targovax's focus during the next 12 months will be to progress the previously described trials with its lead program ONCOS-102 in melanoma and mesothelemia and continue the follow-up phase of the TG01 trial in resected pancreatic cancer. We will also shortly advance TG02 into the clinic in colorectal cancer.

Furthermore, Targovax, together with its clinical trial collaborators LCR/CRI and Sotio are starting trials in various other solid tumor indications.

2017 is a very important year for clinical data reporting. As outlined above, the year has started encouringingly with the two-year overall survival data from the first patient cohort in the TG01 trial in resected pancreatic cancer.

Importantly, the Company believes the interim data readout in the second half of 2017 from the earlier-mentioned phase I trial of ONCOS-102 in checkpoint inhibitor refractory melanoma patients will provide a meaningful clinical proof of concept for the ONCOS platform and is set to be another key value inflection point for the Company.

During 2017, Targovax aims to upgrade its listing to the main list at Oslo Børs. The criteria for the upgrade has already been met.

[4] J Neoptolemos 2010, J van Loethem 2010, H Oettle 2013, M Sinn 2015, K Uesaka 2016; In these reported studies Overall Survival measured either from surgery or treatment randomization

Oslo, 15 February 2017

The Board of Directors of Targovax ASA

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

Øystein Soug
Chief Executive Officer

Fourth quarter and full year accounts 2016

Condensed consolidated statement of profit and loss

(Amounts in NOK thousands except per share data)	Note	Unaudited 4Q 2016	Unaudited 4Q 2015	Unaudited FY 2016	FY 2015
Other revenues		4	2	37	146
Total revenue		***4***	***2***	***37***	***146***
External R&D expenses	3.4	-11 814	-14 509	-45 001	-25 231
Payroll and related expenses	5,11	-13 380	-15 440	-49 235	-35 431
Other operating expenses	3.4	-6 097	-10 816	-25 311	-29 100
Total operating expenses		***-31 291***	***-40 765***	***-119 548***	***-89 762***
Operating profit/ loss (-)		**-31 288**	**-40 763**	**-119 511**	**-89 616**
Financial income		550	385	1 241	2 339
Financial expenses	7	-1 260	-1 232	-4 444	-2 608
Net financial items		**-711**	**-846**	**-3 203**	**-269**
Loss before income tax		**-31 998**	**-41 609**	**-122 714**	**-89 885**
Income tax expense		84	-1 956	260	-1 930
Loss for the period		**-31 914**	**-43 565**	**-122 454**	**-91 816**
Earnings/ loss (-) per share					
Basic and dilutive earnings/ loss (-) per share	10	-0.76	-1.62	-3.55	-5.06

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

(Amounts in NOK thousands except per share data)	4Q 2016	4Q 2015	FY 2016	FY 2015
Income / loss (-) for the period	-31 914	-43 565	-122 454	-91 816
Items that may be reclassified to profit or loss:				
Exchange differences arising from the translation of foreign operations	2 469	2 208	-16 174	21 793
Total comprehensive income/ loss (-) for the period	**-29 446**	**-41 358**	**-138 628**	**-70 023**
Total comprehensive income/ loss (-) for the period attributable to owners	**-29 446**	**-41 358**	**-138 628**	**-70 023**

Condensed consolidated statement of financial position

(Amounts in NOK thousands)	Note	Unaudited 31.12.2016	31.12.2015
ASSETS			
Intangible assets	6	338 213	358 070
Property, plant, and equipment		1 299	1 590
Total non-current assets		**339 512**	**359 659**
Receivables		14 203	11 557
Cash and cash equivalents		171 629	173 898
Total current assets		**185 833**	**185 455**
TOTAL ASSETS		**525 345**	**545 114**
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	9	4 219	2 688
Share premium reserve		627 796	522 502
Other reserves		17 055	6 957
Retained earnings		-253 521	-131 067
Translation differences		5 618	21 793
Total equity		**401 168**	**422 873**
Non-current liabilities			
Interest-bearing liabilities	7	39 714	38 112
Deferred tax		55 278	58 709
Total non-current liabilities		**94 992**	**96 821**
Current liabilities			
Accounts payable and other current liabilities		4 681	6 307
Accrued public charges		3 348	1 826
Other short-term liabilities		21 155	17 287
Total current liabilities		**29 185**	**25 420**
TOTAL EQUITY AND LIABILITIES		**525 345**	**545 114**

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 1 January 2015		**943**	**97 792**	**780**	**-**	**-38 841**	**60 673**
Loss for the period						-91 816	-91 816
Exchange differences arising from the translation of foreign operations		-	-	-	21 793	-	21 793
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period					**21 793**	**-91 816**	**-70 023**
Issue of ordinary shares - Acquiring Oncos Therapeutics OY	9	943	234 792	-	-	-	235 735
Transaction costs - Oncos Therapeutics OY			-260	-	-	-	-260
Issue of ordinary shares - Capital increase - Private Placement	9	800	199 200	-	-	-	200 000
Transaction costs - Private Placement			-9 207	-	-	-	-9 207
Share issuance, employee share options	9	3	185	-	-	-	188
Reclassification of share-based payment Oncos Therapeutics OY		-	-	410	-	-410	-
Recognition of share-based payments	11	-	-	5 768	-	-	5 768
Balance at 31 December 2015		**2 688**	**522 502**	**6 957**	**21 793**	**-131 067**	**422 873**
Loss for the period						-122 454	-122 454
Exchange differences arising from the translation of foreign operations		-	-	-	-16 174	-	-16 174
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period					**-16 174**	**-122 454**	**-138 628**
Issue of ordinary shares - Capital increase - Private Placement and repair	9	1 529	113 065				114 593
Transaction costs - Private Placement and repair offering			-7 753				-7 753
Share issuance, employee share options	9	2	-18	-	-	-	-16
Recognition of share-based payments & RSU's	11	-	-	10 098	-	-	10 098
Balance at 31 December 2016		**4 219**	**627 796**	**17 055**	**5 618**	**-253 521**	**401 168**

Condensed consolidated statement of cash flow

(Amounts in NOK thousands)	Note	Unaudited Q4 2016	Unaudited Q4 2015	Unaudited FY 2016	FY 2015
Cash flow from operating activities					
Loss before income tax		-31 998	-41 609	-122 714	-89 885
Adjustments for:					
Finance income		*-550*	-385	-1 241	-2 339
Finance expense		1 260	1 232	4 444	2 608
Share option expense	11	-743	3 023	10 098	5 717
Depreciation		71	67	284	148
Change in receivables		3 789	2 868	-2 646	-3 026
Change in other current liabilities		5 084	1 271	2 085	5 887
Net cash flow from /(used in) operating activities		**-23 088**	**-33 535**	**-109 690**	**-80 890**
Cash flow from investing activities					
Purchases of property, plant, and equipment (PPE)		-18	-105	-37	-158
Acquisition of subsidiary, net of cash acquired		-	-	-	1 313
Net cash received from/(paid in) investing activities		**-18**	**-105**	**-37**	**1 155**
Cash flow from financing activities					
Interest received		533	1 009	533	1 009
Interest paid	7	-152	-522	-548	-526
Other finance expense		27	-	-286	-
Loan from TEKES		1 360	-	1 360	-
Share issue expense - Acquisition of Oncos OY		-	-	-	-260
Share issue expense - Private Placement and repair offering		-24	-	-7 753	-9 207
Proceeds from issuance of shares -Private Placement and repair offering		378	-	114 593	200 000
Proceeds from exercise of options		-	188	-16	188
Net cash generated from financing activities		**2 122**	**675**	**107 883**	**191 204**
Net increase/(decrease) in cash and cash equvivalents		**-20 983**	**-32 965**	**-1 844**	**111 468**
Net exchange gain/loss on cash and cash equivalents		109	169	-424	-123
Cash and cash equivalents at beginning of period		**192 504**	**206 694**	**173 898**	**62 552**
Cash and cash equivalents at end of period		**171 629**	**173 898**	**171 629**	**173 898**

Notes

1. General information

Targovax ASA ("the Company") and its subsidiaries (together the Group) is a clinical stage immuno-oncology company dedicated to the development of targeted immunotherapy treatments for cancer patients.

The Group is targeting complementary approaches to cancer immunotherapy: A cancer vaccine platform developed for patients with RAS-mutated cancers and an immunotherapy platform based on engineered oncolytic viruses armed with potent immune-stimulating transgenes for patients with solid tumors. Both treatment approaches harness the patient's own immune system to fight the cancer.

The Company is a limited public liability company incorporated and domiciled in Norway and listed on the Oslo Axess 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 15 February, 2017.

2. Accounting principles

The interim condensed consolidated financial statements for the Group are prepared using the same accounting principles and calculation methods as used for the statutory, annual financial statements 2015 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 functional currency of the Group is NOK (Norwegian kroner).

2.1 Basis of preparation

The quarterly financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU.

2.2 Standards and interpretations in issue but not yet adopted

At the date of authorization of these quarterly financial statements, there are no Standards or Interpretation that have been issued where the Management considers any material impact.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2016. The subsidiaries include Targovax OY, located in Helsinki, Finland and Oncos Therapeutics AG, Meggen, Switzerland, all 100% owned and controlled subsidiaries. Targovax OY is the parent company of Oncos Therapeutics AG.

2.4 Going concern

As a result of the private placement and the subsequent offering in the third quarter 2016 and the current liquidity situation, Targovax's Directors expect that the Group has available financial resources sufficient for all planned activities, notably six clinical trials, in the next twelve months as of 15 February 2017. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3. Research and development expenses

The Group is developing new products. Uncertainties related to the regulatory approval process and results from ongoing clinical trials, generally indicate that the criteria for asset recognition is not met until the time when marketing authorization is obtained from relevant regulatory authorities.

The following research and development expenditures have been expensed:

(Amounts in NOK thousands)	*4Q 2016*		*4Q 2015*		*FY 2016*		*FY 2015*	
	Total	R&D	Total	R&D	Total	R&D	Total	R&D
External R&D expenses	11 814	11 814	14 509	14 509	45 001	45 001	25 231	25 231
Payroll and related expenses	13 380	8 359	15 440	6 632	49 235	24 449	35 431	13 497
Other operating expenses	6 097	9	10 816	135	25 311	970	29 100	384
Total	***31 291***	***20 182***	***40 765***	***21 277***	***119 548***	***70 420***	***89 762***	***39 111***

4. Government grants

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

(Amounts in NOK thousands)	*4Q 2016*	*4Q 2015*	*FY 2016*	*FY 2015*	*2015*
External R&D expenses	937	1 489	6 068	6 891	6 891
Payroll and related expenses	124	-49	1 640	2 225	2 225
Other operating expenses	12	-	67	-	-
Total	***1 073***	***1 440***	***7 774***	***9 115***	***9 115***

For the period 2013 through 2016, the Group has been awarded a grant from The Research Council (program for user-managed innovation arena (BIA)) of NOK 12.4m in total. For the full year and fourth quarter 2016, the Group has recognized NOK 2.1m and NOK 0.0m as cost reduction in External R&D expenses, Payroll and related expenses and Other Operating expenses.

R&D projects have been approved for Skatte Funn for the period 2011 through 2016. For the full year and fourth quarter 2016, the Group has recognized NOK 4.9m and NOK 0.3m as cost reduction in External R&D expenses, Payroll and related expenses and Other Operating expenses.

The Group has been awarded grants from EU regarding the EU project “ADVance” of EUR 262 779 and the Group has for the full year 2016 recognized NOK 0.4m as cost reduction in Payroll and related expenses.

The Group was granted a Tekes loan during the third quarter of 2016. The loan’s interest rate is assessed to be 7% lower than comparable market rates, hence NOK 0.4m has been recognized as a government grant recorded as a reduction to External R&D expenses in fourth quarter 2016.

5. Payroll and related expenses

Total payroll and related expenses for the Group are:

(Amounts in NOK thousands)	4Q 2016	4Q 2015	FY 2016	FY 2015
Salaries and bonus	12 331	9 725	33 659	26 154
Employer's national insurance contributions	1 040	1 473	3 640	3 278
Share-based compensation 1	-743	3 212	10 098	5 875
Pension expenses – defined contribution plan	528	788	2 394	1 723
Other	348	193	1 084	626
Governmental grants	-124	49	-1 640	-2 225
Total payroll and related expenses	**13 380**	**15 440**	**49 235**	**35 431**
1) Share-based compensation has no cash effect.				

Number of employees calculated on a full-time basis as at end of period	26.2	26.5
Number of employees as at end of period	27	27

6. Intangible assets

The intangible assets are derived from the acquisition of Oncos Therapeutics OY, which was completed in July 2015. The intangible assets are related to the development of ONCOS-102, which is a virus-based immunotherapy platform.

Intangible assets are tested for impairment at least annually, or when there are indications of impairment.

As of 31 December 2016 the recognized intangible assets in the Group amounts to NOK 338m. This is a decrease, as of 31 December 2015, from NOK 358m due to NOK/EUR foreign exchange fluctuations.

As per 31 December 2016, the market value of the Company, according to shares traded on the Oslo Axess, was NOK 496m, which is NOK 95m more than book value of equity. The impairment test assessed as at 31 December 2016, based on the same impairment test as at 31 December 2015 with updated key assumptions as per 30 September 2016, indicated that the value of the intangible assets was above the book value. Hence, no need for impairment of the intangible assets as at 31 December. See note 16 in the Annual Report 2015 for more information about the impairment test.

7. Interest bearing debt (TEKES)

TEKES is a publicly financed funding agency that finances research and development activities for young innovative companies in Finland.

The Group has received three R&D loans, for the commercialization of ONCOS-102 from TEKES under loan agreements dated September 2010, January 2012 and December 2013, respectively, in the total outstanding amount of EUR 5 989 293 as of 31 December 2016. This includes an additional loan approval of EUR 146 981 to one of the existing TEKES loans during the third quarter of 2016, hence a grant element of EUR 46 355 was recognized during fourth quarter of 2016.

Amortized interests are charged to financial expenses, amounting to NOK 2.8m during the full year 2016 and NOK 0.7m during fourth quarter of 2016.

No new TEKES loans have been awarded during the year 2016.

See note 22 in the Annual Report 2015 for more information about the TEKES loans.

8. Fair value of financial instruments

The carrying value of receivables, cash and cash equivalents, borrowings, deferred tax, and other short-term payables and accrued liabilities are assessed to approximate fair value.

(Amounts in NOK thousands)	FY 2016		FY 2015	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	14 203	14 203	11 557	11 557
Cash and cash equivalents	171 629	171 629	173 898	173 898
Total financial assets	**185 833**	**185 833**	**185 455**	**185 455**
Interest-bearing borrowings	39 714	39 714	38 112	38 112
Deferred tax	55 278	55 278	58 709	58 709
Accounts payable and other current liabilities	4 681	4 681	6 307	6 307
Accrued public charges	3 348	3 348	1 826	1 826
Other short-term liabilities	21 155	21 155	17 287	17 287
Total financial liabilities	**124 177**	**124 177**	**122 241**	**122 241**

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

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

As at 31 December 2016:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	39 714	39 714
Total financial instruments at fair value	**-**	**-**	**39 714**	**39 714**

As at 31 December 2015:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	38 112	38 112
Total financial instruments at fair value	**-**	**-**	**38 112**	**38 112**

9. Share capital and number of shares

Share capital as at 31 December 2016 is 4 219 080 (31 December 2015: 2 688 381) comprising 42 190 800 ordinary shares at nominal value NOK 0.10 (31 December 2015: 26 883 808 at NOK 0.10). All shares carry equal voting rights.

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

	Q4 2016	Q4 2015	FY 2016	FY 2015
Ordinary shares at beginning of period	42 134 001	26 858 808	26 883 808	9 429 404
Share issuance - private placement and repair offering	0	0	15 228 634	8 000 000
Aquisition of Oncos Therapeutics OY	0	0	0	9 429 404
Share issuance, employee share options	56 799	25 000	78 358	25 000
Ordinary shares at end of period	**42 190 800**	**26 883 808**	**42 190 800**	**26 883 808**

The 20 largest shareholders are as follows at 31 December 2016:

Shareholder	# shares	%
HealthCap	11 155 584	26.4 %
Radiumhospitalets Forskningsstiftelse	4 077 255	9.7 %
VPF Nordea Avkastning	1 295 421	3.1 %
Verdipapirfondet KLP AksjeNorge	1 200 000	2.8 %
VPF Nordea Kapital	1 137 289	2.7 %
Portia AS	950 000	2.3 %
Nordnet Livsforsikring AS	838 281	2.0 %
Kommunal Landspensjonskasse	803 333	1.9 %
Timmuno AS	724 650	1.7 %
Prieta AS	720 000	1.7 %
Nordnet Bank AB	695 687	1.6 %
Statoil Pensjon	668 916	1.6 %
Datum Invest AS	653 838	1.5 %
Cressida AS	650 000	1.5 %
Danske Bank AS	603 211	1.4 %
Cipi Lamp UCITS Swedbank SMB	543 747	1.3 %
Op-Europe Equity Fund	530 000	1.3 %
Sundt AS	523 170	1.2 %
Viola AS	500 000	1.2 %
Eltek Holding AS	442 000	1.0 %
20 largest shareholders	**28 712 382**	**68.1 %**
Other shareholders (1764)	13 478 418	31.9 %
Total shareholders	**42 190 800**	**100.0 %**

HealthCap, Radiumhospitalets Forskningsstiftelse, Timmuno AS and Prieta AS have entered into lock-up agreements for their shares for the day falling 6 months after the completion of the private placement 6 July 2016.

Shareholdings Key Management

The following table provides the total number of shares owned by the key management of the Group and member of the Board of Directors, including close associates, as of 31 December 2016:

Name	Position	No. of shares outstanding at 31 December 2016
Key management:		
Jon Amund Eriksen	Chief Technology Innovation Officer	728 601 [1)]
Øystein Soug	Chief Executive Officer	100 000 [2)]
Magnus Jäderberg	Chief Medical Officer	20 000
Anne-Kirsti Aksnes	VP, Clinical Development	12 000
Peter Skorpil	VP, Business Development	10 000
Berit Iversen	Head of CMC	7 587
Tina Madsen	VP, Quality Assurance	6 300
Total no. of shares owned by key management of the Group		**884 488**
Board of directors:		
Robert Burns	Board member	34 063
Total no. of shares owned by the Board of Directors of the Group		**34 063**

1 The shares are held through Timmuno AS
2 The shares are held through Abakus Invest AS. Øystein Soug succeeded Gunnar Gårdemyr as CEO in November 2016.

Jonas Einarsson, Chairman of the Board of Directors, is CEO in the Radium Hospital Research Foundation
Johan Christenson and Per Samuelsson, both Member of the Board, are partners at HealthCap

10. Earnings per share

Amounts in NOK thousand	Q4 2016	4Q 2015	FY 2016	FY 2015
Loss for the period	-31 914	-43 565	-122 454	-91 816
Average number of outstanding shares during the period	42 162	26 871	34 528	18 150
Earnings/ loss per share - basic and diluted	**-0.76**	**-1.62**	**-3.55**	**-5.06**

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognized as potential ordinary shares only shall be treated as dilutive if their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the Group is currently loss-making, an increase in the average number of shares would have anti-dilutive effects.

11. Share based payment

At the Extraordinary General Meeting in September 2015 the Board was authorized to increase the Group's share capital in connection with share incentive arrangements by up to 10% of the Share capital. A renewed authorization was given at the Ordinary general meeting in April 2016.

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.

Each share option converts into one ordinary share of the Company on exercise. Options may be exercised at any time from the date of vesting until expiry. The options generally vest over a period of four years and expire seven years after the grant date. In general, the exercise price of the options is

set at the fair value of the shares at grant date.

During the full year 2016, additional 655 000 share options were granted to other employees, 78 358 were exercised, 7 434 were expired and 601 927 were forfeited. A total of 2 513 170 options were outstanding at 31 December 2016.

The fair value of the options has been calculated at grant date. The fair value of the options was calculated using the Black-Scholes model. The expected volatility for options issued in 2016 is estimated at average of 89.6%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2016 is 0.8941%.

	FY 2016		FY 2015	
	No. of options	Weighted avg. excercise price (in NOK)	No. of options	Weighted avg. excercise price (in NOK)
Outstanding at 1 January	2 545 889	23.25	100 000	7.50
Granted during the period	655 000	11.82	2 090 062	24.09
Exercised during the period	-78 358	4.97	-25 000	7.50
Convertion of Oncos option program 2/7-2015	-	-	380 827	21.77
Forfeited	-601 927	22.90	-	-
Expired	-7 434	25.00	-	-
Outstanding no. of options at end of period	**2 513 170**	**20.93**	**2 545 889**	**23.25**

The following table shows the outstanding and granted options for shares to Key Management of the Group at 31 December 2016:

Name	Position	Options	
		Granted 12M 2016	Outstanding 12/30/16
Key management:			
Øystein Soug	Chief Executive Officer [1)]	150 000	540 000
Magnus Jäderberg	Chief Medical Officer	120 000	510 000
Jon Amund Eriksen	Chief Technology Innovation Officer		160 000
Anne Kirsti Aksnes	VP, Clinical Development	100 000	153 000
Berit Iversen	Head of CMC	20 000	90 000
Tina Madsen	VP, Quality Assurance	-	53 000
Peter Skorpil	VP, Business Development	-	45 000
Tiina Hakonen	Site Manager Helsinki	20 000	45 000
Total option for shares to key management of the Group		**410 000**	**1 596 000**
Board of directors:		-	
Robert Burns	Board member	-	21 235
Total option for shares to the Board of Directors of the Group		**-**	**21 235**

1 Øystein Soug succeeded Gunnar Gårdemyr as CEO in November 2016.

No share options have been granted to Key Management from 31 December 2016 to 15 February 2017.

Restricted Stock Units

The ordinary general meeting 13 April 2016 decided to remunerate the Board of Directors with a combination of cash and Restricted Stock Units (RSUs).

The number of RSUs to be granted to the members of the Board of Directors is calculated as the NOK amount of the RSU opted portion of total compensation to the Board member, divided by the market price for the Targovax ASA share. The market price is calculated as volume weighted average share price the 10 trading days prior to the grant date, NOK 12.20 for the grant at 13 April 2016.

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The Board members must elect to either (i) receive 100% of the compensation in RSUs, (ii) receive 1/3 of the compensation in cash and 2/3 in RSUs, or (iii) receive 2/3 of the compensation in cash and 1/3 in RSUs. The total compensation to each member of the Board of Directors for both the period 2015-2016 and 2016-2017 have been set out in the minutes from the ordinary general meeting.

A total of 129 991 RSUs have thus been granted. The RSUs granted for the period 2015 – 2016 vested on 13 April 2016, while the RSUs granted for the period 2016- 2017 will vest on 13 April 2017.

The following table shows the outstanding and granted RSU's to Board of Directors of the Group at 31 December 2016:

Name	Position	RSUs	
		Granted	Outstanding
		12M 2016	12/31/2016
Key management:			
Bente-Lill Romøren	Board member	10 929	10 929
Diane Mellett	Board member	34 098	34 098
Eva-Lotta Allan	Board member	23 169	23 169
Lars Lund-Roland	Board member	20 811	20 811
Robert Burns	Board member	40 984	40 984
Total Restricted Stock Units to Board of Directors of the Group		**129 991**	**129 991**