INTERIM REPORT
Q4 AND FY 2015

Interim Report fourth quarter 2015

"Arming patient's immune system to fight cancer"

Targovax is a clinical stage immuno-oncology company developing targeted immunotherapy treatments for cancer patients. Targovax has a broad and diversified immune therapy portfolio and aims to become a leader in its area. The company is currently developing two complementary and highly targeted approaches to immuno-oncology:

ONCOS-Oncos 102 is part of a virus-based immunotherapy platform based on engineered oncolytic viruses armed with potent immune-stimulating transgenes targeting solid tumors. This treatment may reinstate the immune system's capacity to recognize and attack cancer cells.

TG01 and TG02 are part of a peptide-based immunotherapy platform targeting the difficult to treat RAS mutations found in more than 85% of pancreatic cancers, 50% of colorectal cancers and 20-30% of all cancers. Targovax is working towards demonstrating that TG vaccines will prolong time to cancer progression and increase survival.

The product candidates will be developed in combination with multiple treatments in several cancer indications, including checkpoint inhibitors. Targovax also has a number of other cancer immune therapy candidates in early stage of development.

Highlights

- Announced an agreement with Ludwig Cancer Research (LICR) and the Cancer Research Institute (CRI) in New York to evaluate ONCOS-102 in early phase clinical trials, testing the virotherapy virus therapy in combination with other immunotherapies such as checkpoint inhibitors

- Entered into an agreement with the biotech company Sotio to run a collaboration study combining ONCOS-102 and Sotio's dendritic cell therapy to evaluate the safety and tolerability in the treatment of advanced prostate cancer

- Progressed the preparation of further three new Targovax sponsored combination clinical trials according to plan. Study protocols are finalized for two of the three trials. with study documentation submitted to the health authorities in Spain for the mesothelioma trial in the first quarter 2016

- Presented immune biomarker data from a phase I study at the SITC (Society for Immunotherapy of Cancer) conference in Washington DC in November. The data suggests that local immunotherapy with ONCOS-102 has the potential to activate immunologically silent tumors and reduce local immune suppression in advanced tumors.

Key figures

Amounts in NOK thousands	Q4 2015	Q4 2014	FY 2015	FY 2014
Total operating revenues	2	21	146	72
Total operating expenses	-40 765	-8 281	-89 762	-17 642
Operating profit/loss	-40 763	-8 260	-89 616	-17 570
Net financial items	-846	9	-269	-77
Income tax	79	-	105	-
Net profit/loss	-41 530	-8 251	-89 781	-17 646
Basic and dilluted EPS (NOK/share)	-1.55	-0.88	-4.95	-2.50
Net change in cash	-32 796	-6 457	111 345	54 182
Cash and cash equivalents start of period	206 694	69 009	62 552	8 370
Cash and cash equivalents end of period	173 898	62 552	173 898	62 552

Operational Review

Development

Following the merger between Targovax and Oncos in July 2015, the combined company has several product lines based on two different technology platforms, and the company has reached critical mass concerning pipeline and organization.

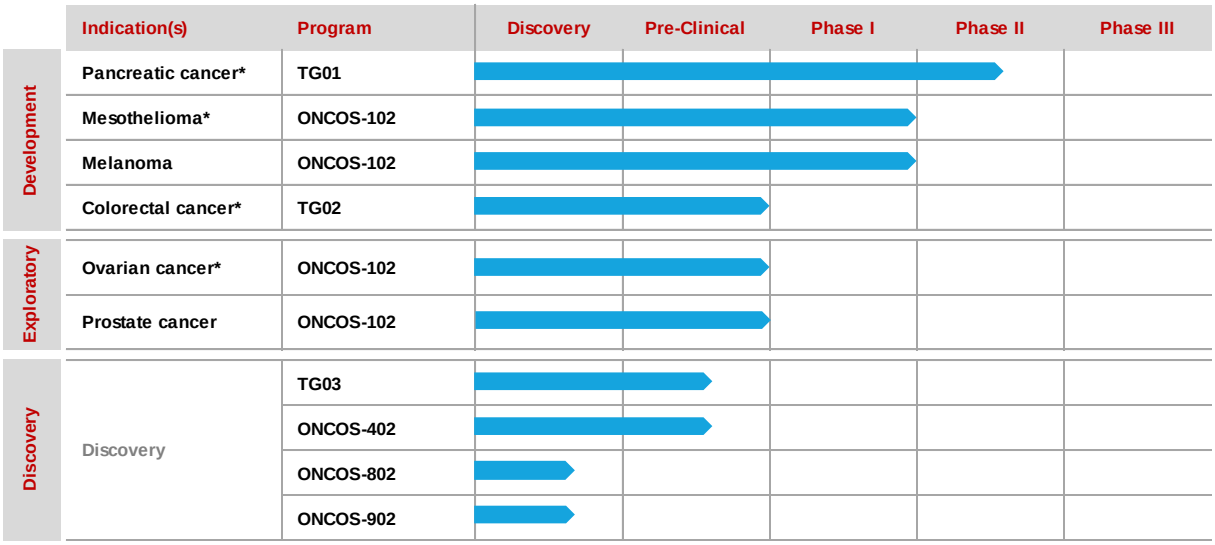
Under current portfolio, Targovax has:

- **one** ongoing trial
- **two** technology platforms
- **three** product candidates in development
- **four** orphan drug indications
- **five** combination trials starting in 2016, two with scientific collaboration partners
- **six** cancer indications
- **eight** read-outs anticipated in 2016-17

A broad and diversified pipeline

Since the merger, Targovax has progressed its clinical plan according to schedule. In addition, the company has raised its' visibility in the investor community and towards pharmaceutical companies.

During the fourth quarter of 2015, Targovax focused on developing the different product lines further, both through its own clinical trials and through collaborations. During the quarter, Targovax entered into two collaboration agreements that will result in clinical trials.



** Orphan drug status*

Clinical development

TG01 Pancreatic Cancer

This study is an ongoing open label, phase I/II of TG01/GM-CSF treatment and gemcitabine as adjuvant therapy for treating patients with resected adenocarcinoma of the pancreas. In a first cohort, 19 patients have received the combined treatment and of the 18 patients eligible for immune response assessment, 15 (83%) have established a detectable immune response. The regimen was generally well tolerated, with events related to TG01 being those expected for a peptide vaccine (local reactions and flu-like symptoms). Grade 3/4 reactions were primarily related to gemcitabine. There were four related allergic reactions to vaccination, of which two were severe, representing dose limiting toxicity (DLT). This has led the company to study a slightly different regimen. A modified vaccination regimen intended to minimize DLTs in which has been introduced and up to 13 patients will be included in this new cohort. The study centers are open and actively recruiting patients.

ONCOS-102 Mesothelioma

This trial is a randomized phase I/II open label study with a Phase Ib safety lead-in of ONCOS-102 and standard of care chemotherapy in patients with unresectable malignant pleural mesothelioma. The study is planned to include 6 patients in the safety cohort and approximately 24 patients in the randomized phase II section of the trial. In February 2016, Targovax announced the submission of the study protocol to the regulatory authorities in Spain in January. According to plan, the trial is planned to commence during the second half of 2016, with the site ready for recruitment in the first half.

ONCOS-102 Melanoma

This trial is an explorative open-label study to determine anti-tumor immune activation and clinical response of ONCOS-102 given with pembrolizumab, a checkpoint inhibitor (human programmed PD-1-blocking antibody) in patients with advanced melanoma who have stopped responding to prior treatment with check point inhibitors. The goal of the study is to investigate whether these patients will start responding again to a checkpoint inhibitor after ONCOS-102 treatment. The trial is planned to include approximately 12 patients in the US and will commence in the second half of 2016.

TG02 Colorectal Cancer

This is an open label, non-randomized phase Ib exploratory study 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. Immune activation will be measured through skin DTH-test, PBMC (cancer antigen specific T-cells) and resected tumor material (cytotoxic T-cells). The study is planned to include a total of approximately 20 patients, at sites in Australia and potentially New Zealand. The trial is planned to start during the second half of 2016, with the site ready for recruitment in the first half.

Clinical studies with external parties

On 18 November 2015, Targovax entered into an agreement with the US institutions Ludwig Cancer Research (LICR) and the Cancer Research Institute (CRI) to evaluate ONCOS-102 in early phase clinical trials, testing the therapy in combination with other, potentially synergistic immunotherapies such as checkpoint inhibitors. The publication of the exact indications and planned commencement of the trial is expected during 2016. The study will be sponsored by LICR will be the sponsor of the study.

Through this collaboration, Targovax will gain access to the well-known leading expertise and clinical trial network of CRI and Ludwig Cancer Research (LCR), which provides new opportunities for combinatorial research. The focus will be on mechanistic synergies with clinical impact combining ONCOS-102 with other immune therapies.

Likewise, in November 2015, Targovax and the biotech company Sotio agreed to design and run a collaboration study combining ONCOS-102 and Sotio's dendritic cell therapy DCVAC/PCa to evaluate the safety and tolerability of the combination therapy in the treatment of advanced prostate cancer. The plan is to recruit the first patient in second half of 2016. Sotio is the sponsor of the study.

The design of the planned study with Sotio is subject to regulatory approvals in the Czech Republic and Finland.

Costs are shared in both collaborations. The cash flow effect of conducting collaboration trials is expected to be small for Targovax.

IPR / Market protection

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 has Orphan Drug status for ONCOS-102 within mesothelioma, ovarian cancer and soft tissue sarcoma in the EU and USA, ensuring 10 and 7 years of market protection respectively from the date of market approval. Orphan Drug status is also granted for TG01 within pancreatic cancer.

Experienced team

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

Management team

Name	Position
Gunnar Gårdemyr	CEO
Øystein Soug	CFO
Jon Amund Eriksen	COO
Magnus Jäderberg	CMO
Antti Voulanto	EVP
Anne-Kirsti Aksnes	VP Clinical
Tina Madsen	VP QA
Peter Skorpil	VP BD
Nikolaj Knudtzon	Head HR

Board of Directors

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

In addition to Jónas Einarsson, Bente-Lill Romøren, Per Samuelsson, Johan Christenson, Robert Burns and Lars Lund-

Roland the Board was expanded in September 2015 with Eva-Lotta Allan and Diane Mellet.

Financial Review

Since Targovax merged with the Finnish company Oncos on 2 July 2015, the figures in this report includes the combined businesses only from the second half 2015. Figures in parenthesis are from the comparable period in 2014, pre-merger.

Results fourth quarter 2015

In the fourth quarter 2015 and 2014, Targovax had no core business revenue.

Operating expenses amounted to NOK 41m (NOK 8m) in the quarter. The operating expenses are reported net of governmental grants, which amounted to NOK 1m in the period (NOK 4m). The higher operating expenses reflects the combination with Oncos and the increase in more activities in all areas of the business.

The net loss amounted to NOK 42m in the fourth quarter 2015 (NOK 8m).

Full year 2015 results

Revenues related to a non-core service fee amounted to NOK 0.1m (NOK 0.0m) in the full year 2015. Operating expenses amounted to NOK 90m (NOK 18m) during this period. The operating expenses are presented net of governmental grants. The grants during the full year 2015 amounted to NOK 9m (NOK 8m). The increase in other operating costs reflects the combination with Oncos and more increased activities in all areas.

The net loss for the period amounted to NOK 90m (NOK 18m).

Financial position and cash flow

Net cash was NOK 174m at the end of the fourth quarter compared to NOK 63m at the end of 2014. The change in net cash level was driven by the NOK 200m capital increase undertaken in July, offset primarily by operating activities. Net cash outflow in the fourth quarter was negative NOK 33m from operating activities.

The company had NOK 38m in interest bearing debt, all to Tekes, the Finnish Funding Agency for Technology and Innovation.

Share information

Through the Oncos merger and the private placement completed in July 2015 the shareholder structure changed. By 5 February 2016, there were 26,883,808 shares outstanding, distributed to 196 shareholders. The 20 largest shareholders controlled some 84 percent of the shares.

During Q4 2015, Targovax-shares traded on NOTC in the NOK 12.00-24.00 range. During the quarter, some 224,000 shares were traded, with an aggregate trading value of NOK 4m. The closing price on 31 December 2015 was NOK 17.00 per share, corresponding to a market value of NOK 457 million.

Shareholders	# shares	%
HealthCap	8 488 918	31,6 %
Radiumhospitalets Forskningsstiftelse	3 410 589	12,7 %
Trojan AS	2 462 000	9,2 %
Arctic Funds PLC	907 000	3,4 %
Timmuno AS	724 650	2,7 %
Prieta AS	720 000	2,7 %
Portia AS	631 945	2,4 %
Danske Bank A/S	587 971	2,2 %
Nordnet Bank AB	570 022	2,1 %
KLP Aksje Norge VPF	460 000	1,7 %
Eltek Holding AS	442 000	1,6 %
Statoil Pensjon	433 716	1,6 %
Storebrand Vekst	425 000	1,6 %
Pactum AS	400 000	1,5 %
Birk Venture AS	378 980	1,4 %
Op-Europe Equity Fund	357 869	1,3 %
Trygve Schiørbecks Eftf.	286 449	1,1 %
Viola AS	280 000	1,0 %
KLP	270 000	1,0 %
DNB Grønt NORDEN	250 919	0,9 %
20 largest shareholders	**22 488 028**	**83,6 %**
Other shareholders (173)	4 395 780	16,4 %
Total shareholders	**26 883 808**	**100,0 %**

Subsequent events

In February 2016 Targovax submitted a study protocol to the regulatory authorities in Spain to assess its ONCOS-102 product

in combination with chemotherapy in patients with malignant pleural mesothelioma (MPM), a rare type of lung cancer associated with exposure to asbestos.

Outlook

Targovax' focus during the next 12 months will be to starting previously described trials with:

- ONCOS-102 in melanoma
- ONCOS-102 in mesothelioma
- TG02 in colorectal cancer

Furthermore, Targovax, together with its scientific collaborators Sotio and LICR/CRI, is planning to start trials in advanced prostate cancer and other solid tumor indications. In addition, the company will continue the existing study development of TG01 in resected pancreatic cancer.

In the first half of 2016, the company intends to publish immune data for the second cohort of patients in the TG01 trial in pancreatic cancer, as well as the 12-months interim clinical results for the first cohort. These data will help the company to design subsequent trials with drug candidates from the TG-platform.

Targovax is continuously working to improve and strengthen its organization and infrastructure to meet its objectives. Access to capital is vital to this development. A part of the strategy is to expand its IR outreach.

According to current plans, the company has funds to finance its activities until the end of 2016. Targovax has retained flexibility in its cost structure and has the possibility to change prioritizations and thereby enable the cash position to last into early 2017.

Fourth quarter accounts 2015

Condensed consolidated statement of profit and loss

(Amounts in NOK thousands except per share data)	Note	Unaudited Q4 2015	Unaudited Q4 2014	Unaudited FY 2015	FY2014
Other revenues		2	21	146	72
Total revenue		***2***	***21***	***146***	***72***
Cost of manufacturing for R&D		-3 412	-4 551	-9 013	-6 316
Payroll and related expenses	4, 7	-15 440	-2 589	-35 431	-5 367
Depreciation		-67	-8	-148	-11
Other operating expenses	4	-21 846	-1 133	-45 170	-5 949
Total operating expenses		***-40 765***	***-8 281***	***-89 762***	***-17 642***
Operating profit/ loss (-)		**-40 763**	**-8 260**	**-89 616**	**-17 570**
Financial income		385	288	2 339	343
Financial expenses		-1 232	-279	-2 608	-420
Net financial items		**-846**	**9**	**-269**	**-77**
Loss before income tax		**-41 609**	**-8 251**	**-89 885**	**-17 646**
Income tax expense		79		105	
Loss for the period		**-41 530**	**-8 251**	**-89 781**	**-17 646**
Exchange differences arising from the translation of foreign operations		2 208		21 793	
Total comprehensive income/ loss (-) for the period		**-39 323**	**-8 251**	**-67 988**	**-17 646**
Total comprehensive income/ loss (-) for the period attributable to owners		**-39 323**	**-8 251**	**-67 988**	**-17 646**
Earnings/ loss (-) per share					
Basic and dilutive earnings/ loss (-) per share	6	-1.55	-0.88	-4.95	-2.50

Condensed consolidated statement of financial position

(Amounts in NOK thousands)	Note	Unaudited 31.12.2015	31.12.2014
ASSETS			
Intangible assets	3	358 070	-
Property, plant, and equipment		1 590	150
Total non-current assets		**359 659**	**150**
Receivables	4	11 557	***4 660***
Cash and cash equivalents		173 898	***62 552***
Total current assets		**185 455**	**67 213**
TOTAL ASSETS		**545 114**	**67 362**
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	5	2 688	943
Share premium reserve		522 502	97 792
Other reserves		6 957	780
Retained earnings		-129 032	-38 841
Translation differences		21 793	
Total equity		**424 908**	**60 673**
Non-current liabilities			
Interest-bearing borrowings	3	38 112	-
Deferred tax	3	56 674	-
Total non-current liabilities		**94 786**	-
Current liabilities			
Accounts payable and other current liabilities		6 307	2 564
Accrued public charges		1 826	781
Other short-term liabilities	3	17 287	3 344
Total current liabilities		**25 420**	***6 689***
TOTAL EQUITY AND LIABILITIES		**545 114**	**67 362**

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 2014		**470**	**20 368**	**633**		**-21 195**	**276**
Loss for the period						-17 646	-17 646
Other comprehensive income/loss, net of tax							
Total comprehensive income for the period						**-17 646**	**-17 646**
Recognition of share-based payments	7			147			**147**
Issue of ordinary shares - Capital increase	5	473	77 424				**77 896**
Audited balance at 31 December 2014		**943**	**97 792**	**780**		**-38 841**	**60 673**
Balance at 1 January 2015		**943**	**97 792**	**780**		**-38 841**	**60 673**
Loss for the period [1]						-89 781	**-89 781**
Exchange differences arising from the translation of foreign operations [1]					21 793		**21 793**
Other comprehensive income/loss, net of tax							
Total comprehensive income for the period					**21 793**	**-89 781**	**-67 988**
Issue of ordinary shares - Aquiring Oncos Therapeutics OY		943	234 792				235 735
Transaction costs - Oncos Therapeutics OY			-260				-260
Issue of ordinary shares - Capital increase - Private		800	199 200				200 000
Transaction costs - Private Placement			-9 207				-9 207
Share issuance, employee share options		3	185				188
Reclassification of share-based payment Oncos				410		-410	
Recognition of share-based payments	7			5 768			5 768
Balance at 31 December 2015		**2 688**	**522 502**	**6 957**	**21 793**	**-129 032**	**424 908**

1 Year to date figures 2015 has been adjusted for cut-off effects related to the periods Q3 and Q4 2015. The net loss in Q3 2015 decreased with NOK 0.2m related to financial expenses and corresponding change in deferred tax. Other comprehensive income increased with NOK 18.9m in Q3 2015 related to exchange differences arising from the translation of the 100% owned subsidiary Targovax OY. Total increase in other equity amounted to NOK 19.1m. The adjustments affect only Q3 and Q4 2015 isolated.

Condensed consolidated statement of cash flow

(Amounts in NOK thousands)	Note	Unaudited Q4 2015	Unaudited Q4 2014	Unaudited FY 2015	FY2014
Cash flow from operating activities					
Loss before income tax		-41 609	-8 251	-89 885	-17 646
Adjustments for:					
Net interest income and expense		846	-291	269	-206
Share option expense	6	3 023	26	5 717	147
Depreciation		67	8	148	11
Change in receivables		2 868	884	-3 026	1 166
Change in other current liabilities		1 458	877	5 369	2 694
Net cash flow from /(used in) operating activities		**-33 347**	**-6 748**	**-81 408**	**-13 835**
Cash flow from investing activities					
Purchases of property, plant, and equipment (PPE)		-105		-158	-160
Purchases of intangible assets					
Aquisition of subsidiary, net of cash acquired				1 313	
Net cash received from/(paid in) investing activities		**-105**		**1 155**	**-160**
Cash flow from financing activities					
Net interest income and expense		300	297	1 002	287
Other finance expense			-5		-5
Share issue expense - Aquisition of Oncos OY				-260	
Share issue expense - Private Placement				-9 207	-4 604
Proceeds from issuance of shares -Private Placement				200 000	72 500
Proceeds from exercise of options		188		188	
Net cash generated from financing activities		**487**	**291**	**191 722**	**68 178**
Net increase/(decrease) in cash and cash equvivalents		**-32 965**	**-6 457**	**111 468**	**54 182**
Net exchange gain/loss on cash and cash equivalents		169		-123	
Cash and cash equivalents at beginning of period		**206 694**	**69 009**	**62 552**	**8 370**
Cash and cash equivalents at end of period		**173 898**	**62 552**	**173 898**	**62 552**

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 liability company incorporated and domiciled in Norway. The address of the registered office is Lilleakerveien 2C, 0283 Oslo, Norway.

The interim figures in this fourth quarter 2015 report are unaudited. These financial statements were approved for issue by the Board of Directors on 01 March, 2015.

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 2014 for Targovax AS, with the exception of IFRS 3 Business Combinations, IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of interests in other entities and IAS 21 The Effect Of Changes in Foreign Exchange Rates which have been adopted at the acquisition date of Oncos Therapeutics OY(the company is renamed to Targovax OY in 3Q15, but in this report we will use the name Oncos Therapeutics OY) as of 2 July 2015.

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).

There is increased operational activity in Finland and Norway due to the acquisition of Oncos Therapeutics OY. However, the Group's activity is currently organized in one operating segment.

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 31 December 2015. The subsidiaries include Oncos Therapeutics OY, located at Helsinki, Finland and Oncos Therapeutics AG, Meggen, Switzerland, all 100% owned and controlled subsidiaries. Oncos Therapeutics OY is the parent company of Oncos Therapeutics AG.
Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

In general, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements

- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it ceases to recognize the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognize d in profit or loss. Any investment retained is recognized at fair value.

The functional currency of the subsidiaries is the local currency in the country in which they are domiciled. All transactions in foreign currency are translated to functional currency on the date of transaction. Monetary items denominated in foreign currency are translated to the functional currency using the exchange rate at the reporting date. All exchange differences are recognized in profit or loss.
The Group's presentation currency is NOK, which is also the parent company's functional currency.

On consolidation of foreign subsidiaries that have a functional currency other than NOK, items of income and expenses are translated into the Group's presentation currency at the average exchange rate for the period. The assets and liabilities of these entities are translated into the Group's presentation currency at the exchange rate at the reporting date. Currency differences arising on translation of foreign subsidiaries are attributed to equity and presented as other comprehensive income in the consolidated condensed statement of profit or loss and other comprehensive income. On disposal of a subsidiary, accumulated translation differences associated with the subsidiary are charged to profit or loss.

2.4 Business combinations and intangible assets

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognize d in the statement of profit or loss.
Intangible assets comprises the patented technology were recognized at fair value at the date of acquisition of Oncos 2 July 2015. Until the development of the patented technology is finalized no depreciation is recorded and the carrying amount will be tested for impairment at least once a year, or more often if there are indicators of impairment.
When finalized, the patented technology will be depreciated by the straight-line method over the estimated useful life.

2.5 Going concern

As a result of the private placement in the third

quarter 2015 and the current liquidity situation, Directors have an expectation that the Group has available financial resources sufficient for the planned activities in the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3. Acquisition of Oncos Therapeutics

On 2 July 2015, the Company acquired all the shares in Oncos Therapeutics Oy ("Oncos"), an unlisted privately funded company based in Finland. Oncos is a clinical-stage biotechnology company, which also is focusing on the design and development of targeted cancer immunotherapy. The transaction was structured as a share for share exchange whereby Targovax ASA issued 9 429 404 new shares to the shareholders of Oncos as consideration for the shares in Oncos (the “Oncos Acquisition”).

Following the Oncos Acquisition, Oncos is a wholly-owned subsidiary of the Company at the closing date of the agreement 2 July 2015 (the "Acquisition date"). Following the share capital increase registered on July 2 2015, the share capital of Targovax is NOK 1 885 880.80, divided into 18 858 808 shares, each with a nominal value of NOK 0.10.

The combination of Targovax and Oncos complementary technologies creates a unique platform for the development of cutting-edge vaccines and immunotherapies. The combined group of Targovax and Oncos is positioned as a leading immuno-oncology company with clinical experience to date validates safety and mechanism of action of both technology platforms.

The main drivers for Oncos are the patented technology and mainly the product technology for the ONCOS-102 product. The allocation of value to the patented technology is done by a cost based valuation approach, analyzing the total fund invested in the intangible assets and additional value created as part of the product development.

The purchase price allocation is preliminary as of 1 March 2016 as there is still some uncertainty related to the identified assets and liabilities acquired from Oncos. No residual value of the purchase price is recognized as goodwill, and no other excess values than patented technology is identified as part of the transaction.

Total transaction costs related to the acquisition is NOK 4 million.

No contingent consideration arrangements are identified as part of the acquisition.

The fair values of the identifiable assets and liabilities of Oncos, as at the date of acquisition, as a result of the preliminary purchase price allocation were:

(Amounts in NOK/EUR thousands)	NOK	EUR
Assets		
Intangible assets	327 409	37 227
Tangible assets	1 298	148
Other current assets	6 324	719
Cash and cash equivalents	1 313	149
Total assets	**336 344**	**38 243**
Liability		
Deferred tax	51 952	5 907
Other non-current liabilities	33 584	3 819
Other current liabilities	15 073	1 714
Total liabilities	**100 609**	**11 439**
TOTAL CONSIDERATION (THE "PURCHASE PRICE")	**235 735**	**26 803**

Intangible assets

Intangible assets of NOK 327 409 083 comprises the patented technology, which is a key value driver for Oncos. The patented technology consists mainly of the product technology for the ONCOS-102 product. ONCOS-102 has shown promising results in cellular immune response stimulation. The product has succeeded in passing the critical phase I in the development cycle and is ready to start phase II in several solid tumor indications. In addition, ONCOS-102 has been designated orphan drug status both in Europe and the US for the indications mesothelioma, ovarian cancer, and soft tissue sarcoma. The other products and patents developed by Oncos are still at a discovery stage and invested capital in these products is insignificant. No excess value is allocated to other products than ONCOS-102.

Deferred tax

Deferred tax is calculated on temporary differences on intangible assets. The value of the identified intangible assets acquired amounts to TNOK 327 409. Net tax value of assets capitalized for tax purposes amounts to TNOK 67 649, resulting in a temporary difference of TNOK 261 058 and a deferred tax of TNOK 51 952 using statutory tax rate in Finland of 20%. The deferred tax will be calculated on the same basis going forward.

In addition, recognition of deferred tax asset has been assessed in the purchase price allocating. Accumulated tax losses from Oncos' operations amounts to EUR 8.1 million as of 31 December 2014. With a current tax rate in Finland of 20%, the corresponding deferred tax asset is EUR 1.6 million. Oncos has not recognized any deferred taxes under FGAAP. Tax losses in Finland can be carried forward and offset against taxable income in ten years for tax purposes. Oncos has not generated taxable income in prior years and is not expected to generate taxable income in the nearest future. Due to the uncertainty for future taxable profit within the ten years limitation of use, the company has assessed that it cannot be considered as probable that future taxable profit can be used against the tax losses carried forward. No deferred tax asset is recognized in the purchase price allocation.

Other non-current liabilities

Oncos Therapeutics OY has received funding from Tekes in the forms of R&D loans in the principal outstanding amount of EUR 5 842 312 for the commercialisation of ONCOS-102. Tekes is a publicly financed funding agency that finances research and development activities for young innovative companies in Finland.

Three separate R&D loans with special terms have been granted before acquisition date by governmental institution at a very low interest rate. Interest charged is 1% while market rate is assessed to be 8%. Under IFRS carrying amount of the liability is recognized at fair value. Fair value is determined by discounting future cash flows applying the 8 % interest rate. The fair value adjustment on initial recognition of the liability is in accordance with IAS 20, recognized as government grant. The government grant is recorded as a reduction to other operating expenses in the period when the loans have been granted. Interest expense is calculated by using the effective interest rate method.

The loans usually have a 10-year duration, of which the first five years are free of repayment. However, one of the three loans has a term of 13-year duration with 8 years free of repayment.

Repayment shall be made in equal annual instalments during the latter five years, while interest is paid annually throughout the entire loan period. The applicable interest rate under the R&D loans is the European Central Bank's steering rate less 3 percentage points per annum, although no less than 1 percent.

Should the project fail, it is possible to get a remission on part of the debt in accordance with the EU competition legislation. The final amount of the non-recovered part of the principal depends on factors such as the time and the materialized interest rate trend. The final sum will be determined when an eventual decision on non-recovery is made. Targovax Group has issued an on-demand guarantee in favor of Tekes for the repayment obligation of Oncos Therapeutics OY under the R&D loans. The loan agreements include no financial covenants.

From the acquisition date, Oncos OY has contributed €15 805 of revenue and €2 973 179 to the loss before tax of the Group. If the acquisition had taken place at the beginning of the year, revenue of the Group would have been €15 805 for the full year 2015 and the loss before tax would have been €4 931 917.

4. Government grants

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

Targovax ASA *(Amounts in NOK thousands)*	Q4 2015	Q4 2014	FY2015	FY2014
Cost of manufacturing for R&D	-181	-326	584	-
Payroll and related expenses	-49	538	2 225	2 003
Other operating expenses	1 530	3 886	6 026	6 034
Total	**1 300**	**4 098**	**8 834**	**8 038**

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 12 361 000 in total. For the full year ended 31 December 2015, the Group has recognized NOK 4 473 000 as cost reduction in 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 2015 the Group has recognized NOK 4 361 331 as cost reduction in Payroll and related expenses and Other Operating expenses.

5. Share capital and number of shares

Share capital as at 31 December 2015 is 2 688 381 (31 December 2014: 942 940) being 26 883 808 ordinary shares at nominal value NOK 0.10 (31 December 2014: 9 429 404 at NOK 0.10). All shares carry equal voting rights.

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

	Q4 2015	Q4 2014	FY 2015	FY 2014
Ordinary shares at beginning of period	26 858 808	9 429 404	9 429 404	4 703 000
Share issuance - private placement	-	-	8 000 000	4 726 404
Aquisition of Oncos Therapeutics OY	-	-	9 429 404	-
Share issuance, employee share options	25 000	-	25 000	-
Ordinary shares at end of period	**26 883 808**	**9 429 404**	**26 883 808**	**9 429 404**

The 20 largest shareholders are as follows at 31 December 2015:

Shareholder	# shares	%
HealthCap	8 488 918	31,6 %
Radiumhospitalets Forskningsstiftelse	3 410 589	12,7 %
Trojan AS	2 462 000	9,2 %
Arctic Funds PLC	907 000	3,4 %
Timmuno AS	724 650	2,7 %
Prieta AS	720 000	2,7 %
Portia AS	631 945	2,4 %
Danske Bank A/S	587 971	2,2 %
Nordnet Bank AB	570 022	2,1 %
KLP Aksje Norge VPF	460 000	1,7 %
Eltek Holding AS	442 000	1,6 %
Statoil Pensjon	433 716	1,6 %
Storebrand Vekst	425 000	1,6 %
Pactum AS	400 000	1,5 %
Birk Venture AS	378 980	1,4 %
Op-Europe Equity Fund	357 869	1,3 %
Trygve Schiørbecks Eftf. AS	286 449	1,1 %
Viola AS	280 000	1,0 %
Kommunal Landspensjonskasse	270 000	1,0 %
Verdipapirfondet DNB Grønt NORDEN	250 919	0,9 %
20 largest shareholders	**22 488 028**	**83,6 %**
Other shareholders (173)	4 395 780	16,4 %
Total shareholders	**26 883 808**	**100,0 %**

HealthCap, Radiumhospitalets Forskningsstiftelse, Timmuno AS and Prieta AS have entered into lock-up agreements for their shares for the period until the earliest of:
(1) completion of an initial public offering
(2) the day falling 12 Months after the completion of the private placement 9 July 2015

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 as of 31 December 2015:

Name	Position	No. of shares outstanding at 31 Dec. 2015	
Key management:			
Gunnar Gårdemyr	Chief Executive Officer	20 000	
Magnus Jäderberg	Chief Medical Officer	20 000	
Jon Amund Eriksen	Chief Operating Officer	724 650	1)
Øystein Soug	Chief Financial Officer	20 000	2)
Peter Skorpil	VP, Business Development	2 000	
Antti Vuolanto	Executive VP	61 773	
Total no. of shares owned by key management of the Group		**848 423**	
Board of directors:			
Robert Burns	Board member	29 063	
Total no. of shares owned by the Board of Directors of the Group		**29 063**	

1 The shares are held through Timmuno AS
2 The shares are held through Abakus Invest AS

Jonas Einarsson, Chairman of the Board of Directors, is CEO in the Radium Hospital Research Foundation

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

6. Earnings per share

Amounts in NOK thousand	4Q 2015	4Q 2014	FY 2015	FY 2014
Loss for the period	-41 530	-8 251	-89 781	-17 646
Average number of outstanding shares during the period	26 871	9 429	18 150	7 066
Earnings/ loss per share - basic and diluted	**-1,55**	**-0,88**	**-4,95**	**-2,50**

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.

7. 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 the lower of NOK 500 000 and 10% of the Share capital.

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.

There were granted 2 090 062 share options during 2015, no share options were granted during 2014. As a result of the Oncos transaction 2 July 2015 380 827 share options in Oncos were converted into Targovax share options. The conversion of the share options entailed no added value. During the first two months of 2016, additional 25 000 share options were granted to other employees.

Fair value of the options has been calculated at grant date. The fair value of the options were calculated using the Black-Scholes model. The expected volatility for options issued in 2015 is estimated at average of 0.8459, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2015 is 0.84%.

	2015		2014	
	No. of options	Weighted avg. excercise price (in NOK)	No. of options	Weighted avg. excercise price (in NOK)
Outstanding at 1 January	100 000	7.5	100 000	7.5
Granted during the period	2 090 062	24.09	-	-
Exercised during the period	-25 000	7.5		-
Convertion of Oncos option program 2/7-2015	380 827	21.77	-	-
Outstanding no. of options at 31 December	**2 545 889**	**23.25**	**100 000**	**7.5**

The following table shows the outstanding and granted options for shares to Key Management of the Group at 31 December 2015:

		Options	
Name	**Position**	**Granted**	**Outstanding**
		12M 2015	**31.12.2015**
Key management:			
Gunnar Gårdemyr	Chief Executive Officer	500 000	500 000
Magnus Jäderberg	Chief Medical Officer	390 000 [1)]	390 000
Jon Amund Eriksen	Chief Operating Officer	160 000	160 000
Øystein Soug	Chief Financial Officer	390 000	390 000
Antti Vuolanto	Executive VP	181 000 [1)]	181 000
Anne Kirsti Aksnes	VP, Clinical Development	53 000	53 000
Tina Madsen	VP, Quality Assurance	53 000	53 000
Peter Skorpil	VP, Business Development	45 000	45 000
Nikolaj Knudtzon	Head of HR	-	-
Total option for shares to key management of the Group		**1 772 000**	**1 772 000**
Board of directors:			
Robert Burns	Board member	-	21 235
Total option for shares to the Board of Directors of the Group		**-**	**21 235**

1) 133 265 of Magnus Jäderberg's granted share options and 21 768 of Antti Vuolanto's share options was conversion of Oncos Therapeutics OY's option program to Targovax option program 2 July 2015.

No share options have been granted to Key Management from 31 December 2015 to 1 March 2016.

Subsequent events

During the first two months of 2016 the Group granted 25 000 new share options to other employees (see Note 7).