QUARTERLY REPORT

Q1 2016

Interim Report first quarter 2016

Arming the 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 world leader in its area. The company is currently developing two complementary and highly targeted approaches in immuno-oncology.

ONCOS - 102 is a virus-based immunotherapy platform based on engineered oncolytic viruses armed with potent immune-stimulating transgenes targeting solid tumors. This treatment is designed to reactivate 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 cancer and 20-30% of all cancers. Targovax is working towards demonstrating that TG vaccines will prolong time to cancer progression and increase survival.

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

Highlights

- In March, Targovax conducted an interim survival analysis of a first cohort of the ongoing open label, phase I/II of TG01/GM-CSF and gemcitabine in patients with resected pancreatic cancer. Of the 19 patients included in the cohort, 15 patients provided consent to be followed up for survival. 1-year survival data showed that 14 of these 15 patients were still alive at the time of analysis

- In April, Targovax conducted an interim DTH immunological response of a second cohort of the same trial, assessing early immune activation. Four of the five first recruited patients (of a total of up to 13 patients) showed an 8-week immune response. These results were in line with the analysis of the first cohort (in March 2015) where 15 of 18 eligible patients showed a detectable immune response suggesting that immune activation can be achieved with lower vaccine doses

- Targovax progressed the preparation of a further five new combination clinical trials, according to plan. All studies are in the process of being set up. Submissions to competent authorities and ethical committees have been initiated.

Key figures:

Amounts in NOK thousands	1Q 2016	1Q 2015	2015
Total operating revenues	-	-	146
Total operating expenses	-30 976	-6 720	-89 762
Operating profit/loss	-30 976	-6 720	-89 616
Net financial items	-555	-31	-269
Income tax	74	-	-1 930
Net profit/loss	-31 457	-6 751	-91 816
Basic and diluted EPS (NOK/share)	-1.17	-0.72	-5.06
Net change in cash	-33 012	-8 361	111 345
Cash and cash equivalents start of period	173 898	62 552	62 552
Cash and cash equivalents end of period	140 885	54 191	173 898

Operational Review

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.

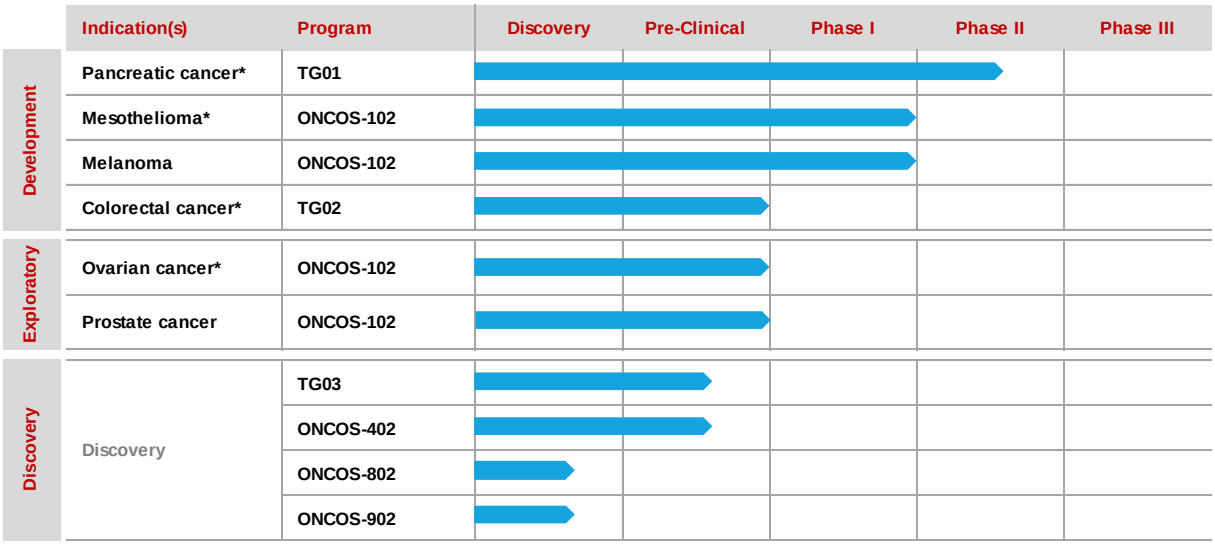
Currently, Targovax has:

- **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 and **six** additional efficacy read-outs anticipated by the end of 2017.

A broad and diversified pipeline

Since the merger in 2015, Targovax has progressed its clinical plan according to schedule. Management has actively worked to increase company visibility in the investor community and towards potential future partners among pharmaceutical companies.

During the first quarter of 2016, Targovax continued the development of its different product lines, both through its own clinical trials and through collaborations.



** Orphan drug status*

Clinical development

TG01 Pancreatic Cancer

Targovax has an ongoing open label, phase I/II clinical trial of TG01/GM-CSF treatment 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 on a modified and reduced vaccination schedule. The modified cohort will have up to 13 patients and is currently ongoing. In 2015, Targovax showed that TG01/GM-CSF, administered in combination with gemcitabine induced RAS specific T-cell immune responses.

In March, Targovax conducted a 1-year pre-determined interim survival analysis of the first cohort. Of the 19 patients included in the cohort, 15 patients provided consent to be followed up for survival and four patients did not. The 1-year survival data showed that 14 out of these 15 patients were alive and one had passed away due to pneumonia assessed by the investigator as unrelated to the patient's underlying cancer. The regimen was generally well tolerated.

In April, Targovax reviewed interim data for early (8-week) immune activation (by measuring DTH responses) in the modified vaccination cohort. Four of the five first recruited patients (of a total of up to 13 patients) showed an 8-week immune response. These results were in line with the analysis of the first cohort (which had received a more frequent vaccination schedule) where 18 out of 19 patients were eligible for immune response assessment and 15 of those had established a detectable immune response.

The modified vaccination schedule seems to generate similar 8-week immune responses in patients with pancreatic cancer as seen in the initial cohort.

The TG01 trial will conclude with an analysis of 2-year survival data for the respective cohorts in 2017 and 2018.

TG02 Colorectal Cancer

This is an open label, non-randomized, phase Ib exploratory trial to determine safety and anti-tumor immune activation generated by TG02/GM-CSF, first as monotherapy, then in combination with a checkpoint inhibitor, in patients with locally recurrent rectal cancer scheduled to have surgery.

Currently, the trial is planned to include approximately 20 patients at sites in Australia. The trial is on track to start during the second half of 2016.

ONCOS-102 Mesothelioma

This trial is a randomized phase Ib/II open label trial with a Phase Ib safety lead-in of ONCOS-102 and standard of care chemotherapy in patients with unresectable malignant pleural mesothelioma. The trial is planned to include six patients in a safety cohort to evaluate the safety of the combination treatment. This will be followed by a randomized phase II section of the trial in approximately 24 patients to compare the tumor targeted immune activation of the combination treatment with the standard of care chemotherapy alone. In February 2016, Targovax announced the submission of the trial protocol to the regulatory authorities in Spain. According to plan, the trial is intended to commence during the second half of 2016.

ONCOS-102 Melanoma

This trial is an exploratory open-label phase Ib trial designed to determine anti-tumor immune activation and clinical response to ONCOS-102 given with a checkpoint inhibitor in patients with advanced or unresectable melanoma who have had disease progression following treatment with checkpoint blockade. The goal of the trial is to investigate whether these patients will respond to a checkpoint inhibitor after ONCOS-102 priming treatment. The trial is planned to include approximately 12 patients in the US and is intended to commence in the second half of 2016.

Clinical trials with collaboration partners

In late 2015, Targovax entered into two separate agreements with US-based Ludwig Cancer Research (LCR) and the Cancer Research Institute (CRI), and the Czech biotech company Sotio. The intention of these two collaborations is to execute joint clinical trials.

Through these collaborations, Targovax gains access in a highly cost-effective manner to leading expertise and extensive clinical trial networks.

The joint trial with LCR and CRI includes testing and evaluation of ONCOS-102 in combination with other synergistic immunotherapies, such as checkpoint inhibitors, in various oncology indications. The objective of the Sotio collaboration is to study safety and tolerability when combining ONCOS-102 and Sotio's dendritic cell therapy DCVAC/PCa in prostate cancer patients.

In both cases, the sponsor of the trial will be Targovax's collaboration partner. The plan is to recruit the first patients into both these trials during the second half of 2016, after this more detailed information about the trials and combination products will be available.

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 is working continuously to strengthen its patent portfolio.

The company has Orphan Drug status for ONCOS-102 within mesothelioma, ovarian cancer, and soft tissue sarcoma[1] in the EU and USA, ensuring 10 and 7 years of market protection respectively from the date of market approval. Orphan Drug status has also been granted for TG01 in pancreatic cancer in the EU and USA.

Experienced team

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

[1] Soft tissue sarcoma is an indication currently not being pursued by Targovax

Management team

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

Board of Directors

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

Name	Position
Jónas Einarsson	Chairman
Eva-Lotta Allan	Member
Robert Burns	Member
Johan Christenson	Member
Diane Mellett	Member
Lars Lund-Roland	Member
Bente-Lill Romøren	Member
Per Samuelsson	Member

Financial Review

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

Results first quarter 2016

As a pre-commercial R&D-focused biotech company, Targovax does not have revenue.

Operating expenses amounted to NOK 31m (NOK 7m) in the quarter. The operating expenses are reported net of governmental grants, which amounted to NOK 4m in the period (NOK 2m). The higher operating expenses reflect the combination with Oncos and the resulting increase in activities in all areas of the business.

The net loss amounted to NOK 31m in the quarter.

Financial position and cash flow

Net cash was NOK 141m at the end of the first quarter compared to NOK 174m at the end of 2015. The change in the net cash level was primarily driven by operating activities. Net cash outflow in the quarter was NOK 33m from operating activities.

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

Shareholder information

On 14 April 2016, there were 26 883 808 shares outstanding, distributed to approx. 200 shareholders. The 20 largest shareholders controlled some 84 percent of the shares.

During the first quarter 2016, Targovax shares traded in the NOK 12.00-17.00 range. During the quarter, approx. 163 000 shares were traded, with a total value of NOK 2m. The closing price on 31 March 2016 was NOK 14.00 per share, corresponding to a market capitalization of NOK 376 million.

Shareholders	# shares	%
HealthCap	8 488 918	31,6 %
RadForsk	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	626 845	2,3 %
Danske Bank A/S	587 971	2,2 %
Nordnet Bank AB	569 022	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	426 000	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	**22 482 928**	**83,6 %**
Other shareholders	4 400 880	16,4 %
Total shareholders	**26 883 808**	**100,0 %**

Subsequent events

In April, Targovax announced that the company has conducted an interim DTH immunological response evaluation assessing early immune activation following administration of TG01 in combination with gemcitabine in the ongoing Phase I/II trial. The results show that the modified and reduced vaccination schedule generate similar 8-week immune responses in patients with pancreatic cancer as seen in the initial cohort.

Outlook

Targovax's focus during the next 12 months will be to start clinical trials outlined here with:

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

Furthermore, Targovax, together with its clinical trial collaborators LCR/CRI and Sotio, is planning to start trials in various solid tumor indications and advanced prostate cancer, respectively. In addition, the company will continue the existing trial of TG01 in resected pancreatic cancer.

Simultaneously, Targovax is working continuously to improve its organization and expanding its investor relation 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 to enable changes in prioritizations if required to extend the cash position to last into early 2017.

First quarter accounts 2016

Condensed consolidated statement of profit and loss

(Amounts in NOK thousands except per share data)	Note	Unaudited 1Q 2016	Unaudited 1Q 2015	2015
Other revenues		-	-	146
Total revenue				***146***
External R&D expenses	3,4	-10 818	-1 517	-25 231
Payroll and related expenses	5,11	-13 198	-2 975	-35 431
Other operating expenses		-6 960	-2 228	-29 100
Total operating expenses		***-30 976***	***-6 720***	***-89 762***
Operating profit/ loss (-)		**-30 976**	**-6 720**	**-89 616**
Financial income		281	211	2 339
Financial expenses	7	-836	-242	-2 608
Net financial items		**-555**	**-31**	***-269***
Loss before income tax		**-31 531**	**-6 751**	**-89 885**
Income tax expense		74	-	-1 930
Loss for the period		**-31 457**	**-6 751**	**-91 816**
Earnings/ loss (-) per share				
Basic and dilutive earnings/ loss (-) per share	10	-1.17	-0.72	-5.06

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

(Amounts in NOK thousands except per share data)	1Q 2016	1Q 2015	2015
Income / loss (-) for the period	-31 457	-6 751	-91 816
Items that may be reclassified to profit or loss:			
Exchange differences arising from the translation of foreign operations	-6 735	-	21 793
Total comprehensive income/ loss (-) for the period	**-38 192**	**-6 751**	**-70 023**
Total comprehensive income/ loss (-) for the period attributable to owners	**-38 192**	**-6 751**	**-70 023**

Condensed consolidated statement of financial position

(Amounts in NOK thousands)	Note	Unaudited 31.03.2016	Unaudited 31.03.2015	31.12.2015
ASSETS				
Intangible assets	6	350 457	-	358 070
Property, plant, and equipment		1 512	142	1 590
Total non-current assets		**351 969**	**142**	**359 659**
Receivables		15 341	6 330	11 557
Cash and cash equivalents		140 885	54 191	173 898
Total current assets		**156 226**	**60 521**	**185 455**
TOTAL ASSETS		**508 196**	**60 663**	**545 114**
EQUITY AND LIABILITIES				
Shareholders equity				
Share capital	9	2 688	943	2 688
Share premium reserve		522 502	97 792	522 502
Other reserves		11 502	1 381	6 957
Retained earnings		-162 524	-45 592	-131 067
Translation differences		15 057	-	21 793
Total equity		**389 226**	**54 524**	**422 873**
Non-current liabilities				
Interest-bearing liabilities	7	37 995	-	38 112
Deferred tax		57 431	-	58 709
Total non-current liabilities		**95 426**	-	**96 821**
Current liabilities				
Accounts payable and other current liabilities		10 611	1 844	6 307
Accrued public charges		1 390	804	1 826
Other short-term liabilities		11 542	3 491	17 287
Total current liabilities		**23 544**	**6 139**	**25 420**
TOTAL EQUITY AND LIABILITIES		**508 196**	**60 663**	**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						-6 751	**-6 751**
Total comprehensive income for the period						**-6 751**	**-6 751**
Recognition of share-based payments				602			602
Balance at 31 March 2015		**943**	**97 792**	**1 381**		**-45 592**	**54 524**
Loss for the period						-85 065	**-85 065**
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**	**-85 065**	**-63 272**
Issue of ordinary shares - Acquiring Oncos Therapeutics OY		943	234 792				235 735
Transaction costs - Oncos Therapeutics OY			-260				-260
Issue of ordinary shares - Capital increase - Private Placement		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 Therapeutics OY				410		-410	
Recognition of share-based payments	11			5 166			5 166
Balance at 31 December 2015		**2 688**	**522 502**	**6 957**	**21 793**	**-131 067**	**422 873**
Loss for the period						-31 457	**-31 457**
Exchange differences arising from the translation of foreign operations					-6 735		**-6 735**
Other comprehensive income/loss, net of tax							**-**
Total comprehensive income for the period					**-6 735**	**-31 457**	**-38 192**
Recognition of share-based payments	11			4 545			4 545
Balance at 31 March 2016		**2 688**	**522 502**	**11 502**	**15 057**	**-162 524**	**389 226**

Condensed consolidated statement of cash flow

(Amounts in NOK thousands)	Note	Q1 2016	Q1 2015	FY 2015
Cash flow from operating activities				
Loss before income tax		-31 531	-6 751	-89 885
Adjustments for:				
Finance income		-281	-211	-2 339
Finance expense		836	242	2 608
Share option expense	11	4 545	602	5 717
Depreciation		69	8	148
Change in receivables		-3 783	-1 670	-3 026
Change in other current liabilities		-2 812	-579	5 887
Net cash flow from /(used in) operating activities		**-32 958**	**-8 359**	**-80 890**
Cash flow from investing activities				
Purchases of property, plant, and equipment (PPE)		-19		-158
Acquisition of subsidiary, net of cash acquired				1 313
Net cash received from/(paid in) investing activities		**-19**		**1 155**
Cash flow from financing activities				
Interest received			-2	1 009
Interest paid	7	-213		-526
Share issue expense - Acquisition of Oncos OY				-260
Share issue expense - Private Placement				-9 207
Proceeds from issuance of shares -Private Placement				200 000
Proceeds from exercise of options				188
Net cash generated from financing activities		**-213**	**-2**	**191 204**
Net increase/(decrease) in cash and cash equvivalents		**-33 190**	**-8 361**	**111 468**
Net exchange gain/loss on cash and cash equivalents		178		-123
Cash and cash equivalents at beginning of period		**173 898**	**62 552**	**62 552**
Cash and cash equivalents at end of period		**140 885**	**54 191**	**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 liability company incorporated and domiciled in Norway. The address of the registered office is Lilleakerveien 2C, 0283 Oslo, Norway.

The interim figures for the first quarter 2016 report are unaudited. These financial statements were approved for issue by the Board of Directors on 11 May, 2016.

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 31 March 2016. The subsidiaries include Targovax OY, located at 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 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 next twelve months as of 31 March 2016. 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)	*1Q 2016*		*1Q 2015*		*2015*	
	Total	R&D	Total	R&D	Total	R&D
External R&D expenses	10 818	10 818	1 517	1 517	25 231	25 231
Payroll and related expenses	13 198	5 323	2 975	1 210	35 431	13 497
Other operating expenses	6 960	156	2 228	114	29 100	384
Total	***30 976***	***16 298***	***6 720***	***2 840***	***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)	*1Q 2016*	*1Q 2015*	*2015*
External R&D expenses	2 721	993	6 891
Payroll and related expenses	824	1 033	2 225
Other operating expenses	6	-	-
Total	***3 552***	***2 025***	***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 12.4 million in total. For the first quarter 2016, the Group has recognized NOK 1.5 million 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 first quarter 2016 the Group has recognized NOK 2 million as cost reduction in External R&D expenses, Payroll and related expenses and Other Operating expenses.

5. Payroll and related expenses

Total payroll and related expenses for the Group are:

(Amounts in NOK thousands)	1Q 2016	1Q 2015	2015
Salaries and bonus	7 348	2 815	26 154
Employer's national insurance contributions	880	350	3 278
Share-based compensation [1]	4 545	602	5 875
Pension expenses – defined contribution plan	756	120	1 723
Other	494	121	626
Governmental grants	-824	-1 033	-2 225
Total payroll and related expenses	**13 198**	**2 975**	**35 431**
1) Share-based compensation has no cash effect.			

Number of employees calculated on a full-time basis as at end of period	27,5	8,5	26,5
Number of employees as at end of period	28	9	27

6. Intangible assets

Recognized intangible assets in the Group amounts to NOK 350 million as of 31 March 2016. This is a decrease from NOK 358 million 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.

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. No indications identified since the last impairment test performed as at 31 December 2015. See note 16 in the Annual Report 2015 for more information.

7. Interest bearing debt (TEKES)

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 5 842 312 as of 31 March 2016.

TEKES is a publicly financed funding agency that finances research and development activities for young innovative companies in Finland. No new TEKES loans have been issued during the first quarter 2016. Consequently, no grant element is recognized. Amortized interests are charged to financial expenses amounting to NOK 0.7 million during the first quarter 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)	3M 2016		3M 2015		FY 2015	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	15 341	15 341	6 330	6 330	11 557	11 557
Cash and cash equivalents	140 885	140 885	54 191	54 191	173 898	173 898
Total financial assets	**156 226**	**156 226**	**60 521**	**60 521**	**185 455**	**185 455**
Interest-bearing borrowings	37 995	37 995			38 112	38 112
Deferred tax	57 431	57 431			58 709	58 709
Accounts payable and other current liabilities	10 611	10 611	1 844	1 844	6 307	6 307
Accrued public charges	1 390	1 390	804	804	1 826	1 826
Other short-term liabilities	11 542	11 542	3 491	3 491	17 287	17 287
Total financial liabilities	**118 970**	**118 970**	**6 139**	**6 139**	**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 March 2016:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	37 995	37 995
Total financial instruments at fair value	**-**	**-**	**37 995**	**37 995**

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**

At the end of first quarter 2015 there were no financial instruments carried at fair value to measure.

9. Share capital and number of shares

Share capital as at 31 March 2016 is 2 688 381 (31 March 2015: 942 940) comprising 26 883 808 ordinary shares at nominal value NOK 0.10 (31 March 2015: 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:

	Q1 2016	Q1 2015	FY 2015
Ordinary shares at beginning of period	26 883 808	9 429 404	9 429 404
Share issuance - private placement	0	0	8 000 000
Acquisition of Oncos Therapeutics OY	0	0	9 429 404
Share issuance, employee share options	0	0	25 000
Ordinary shares at end of period	**26 883 808**	**9 429 404**	**26 883 808**

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

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	630 845	2,3 %
Danske Bank A/S	587 971	2,2 %
Nordnet Bank AB	569 022	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	426 000	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	**22 486 928**	**83,6 %**
Other shareholders (180)	4 396 880	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 March 2016:

Name	Position	No. of shares outstanding at 31 Mar. 2016	
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	26 600	2)
Anne-Kirsti Aksnes	VP, Clinical Development	4 000	
Tina Madsen	VP, Quality Assurance	800	
Peter Skorpil	VP, Business Development	4 000	
Antti Vuolanto	Executive VP	61 773	
Total no. of shares owned by key management of the Group		**861 823**	
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

10. Earnings per share

Amounts in NOK thousand	Q1 2016	Q1 2015	FY 2015
Loss for the period	-31 457	-6 751	-91 816
Average number of outstanding shares during the period	26 884	9 429	18 150
Earnings/ loss per share - basic and diluted	**-1,17**	**-0,72**	**-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. The authorization was renewed at the Ordinary general meeting in April 2106.

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 first quarter of 2016, additional 75 000 share options were granted to other employees. A total of 2 620 889 options were issued at 31 March 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 first quarter 2016 is estimated at average of 83%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in first quarter 2016 is 0.67%.

	3M 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	75 000	14.20	2 090 062	24.09
Exercised during the period			-25 000	7.50
Convertion of Oncos option program 2/7-2015			380 827	21.77
Outstanding no. of options at end of period	**2 620 889**	**23.00**	**2 545 889**	**23.25**

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

		Options	
Name	**Position**	**Granted**	**Outstanding**
		3M 2016	**31.03.2016**
Key management:			
Gunnar Gårdemyr	Chief Executive Officer	-	500 000
Magnus Jäderberg	Chief Medical Officer	-	390 000
Jon Amund Eriksen	Chief Operating Officer	-	160 000
Øystein Soug	Chief Financial Officer	-	390 000
Antti Vuolanto	Executive VP	-	181 000
Anne Kirsti Aksnes	VP, Clinical Development	-	53 000
Tina Madsen	VP, Quality Assurance	-	53 000
Peter Skorpil	VP, Business Development	-	45 000
Total option for shares to key management of the Group		**-**	**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**

No share options have been granted to Key Management in first quarter 2016.

12. Subsequent events

The ordinary general meeting 13 April 2016 decided to remunerate the Board of directors with a combination of cash and Restricted Share Units (RSU).

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.