



targovax

ANNUAL REPORT
2015

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About Targovax






Targovax is a clinical stage immuno-oncology group 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 group is currently developing two complementary and highly targeted approaches to immuno-oncology:

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, including checkpoint inhibitors, in several cancer indications. Targovax also has a number of other cancer immune therapy candidates in early stage of development.

“Arming the patient’s immune system to fight cancer”

<p>1 An emerging immuno-oncology leader</p>	<ul style="list-style-type: none"> ✓ Oncolytic adenoviruses targeted at all solid, injectable tumors ✓ RAS-mutated peptide immunotherapy, targeted at all RAS-mutated cancers 	
<p>2 Unique portfolio with promising data</p>	<ul style="list-style-type: none"> ✓ ONCOS-102 is the only oncolytic virus which has shown tumor-specific T-cell activation ✓ TG01 is the only RAS-specific cancer vaccine in development 	
<p>3 Multiple value inflection points</p>	<ul style="list-style-type: none"> ✓ Multiple shots on goal through programs in 6 indications ✓ 8 clinical read-outs over next 2 years 	
<p>4 Experienced management team</p>	<ul style="list-style-type: none"> ✓ A highly experienced international management team ✓ Strong and recently strengthened board 	
<p>5 Backed by leading life science investors</p>	<ul style="list-style-type: none"> ✓ Private placement of NOK 200m (USD 25m) in June 2015 ✓ HealthCap is the largest owner with 31.6 % ✓ IPO planned for 2016 	

Please visit www.targovax.com for more information about Targovax

CEO Statement

FOCUS ON COMBINATION STUDIES

Targovax is continuously making progress in developing highly targeted immunotherapy treatments for cancer patients. Further development of our comprehensive clinical program will be our most important task in 2016.



Successful integration

In 2015, by far the most important event was the merger of Targovax and Oncos Therapeutics, effective from 2 July. The merger created a group that focuses on two unique complementary technologies that aim to activate the immune system to recognize cancer as a threat and mobilize T-cells to attack cancer cells via:

- An adenovirus-based immunotherapy platform, and
- A peptide-based immunotherapy platform

The group has three targeted immunotherapy products in development, four orphan drug designations and will start five clinical combination studies in 2016. Through the merger, Targovax has reached critical mass concerning pipeline and organization, which has made the group more visible to investors and potential partners.

I am pleased to state that integration so far has been successful. The organization is experiencing positive synergistic effects from a joint management and team through shared and extended competences as well as exchange of experiences. In addition, pipeline synergies will be explored during the next few years.

Strong pipeline

The clinical portfolio in Targovax is currently 'on time and on budget'. We have a broad and diversified pipeline of several promising product candidates targeting multiple indications:

TG01 is being developed for the treatment of resected pancreatic cancer and is the most advanced program, currently in Phase II development. Other exciting clinical studies planned include ONCOS-102 in melanoma and TG02 in colorectal cancer.

Let me elaborate on the melanoma trial for a moment:

Many solid cancers respond only partially to checkpoint inhibitors (CPIs) as the patients' cancer manage to hide from the immune system. For example, 50 per cent of melanoma patients are non-responders in combination studies with CPIs.

However, in a phase I study, *Targovax demonstrated how ONCOS-102 is able to induce tumour specific CD8+ T-cells in solid tumours suggesting that ONCOS-102 may increase response rates in melanoma patients when combined with CPIs.*

Our next step will be to conduct a trial where CPI refractory melanoma patients will receive ONCOS-102 and then be re-treated with a CPI. The objective is to show that ONCOS-102 can trigger immune recognition of these patients' tumours, leading to subsequent response clinically on retreatment with a CPI.

We are eager to pursue the opportunity to be the first immunotherapy treating CPI refractory melanoma.

The trial will include 12 patients in the US and will commence in the second half of 2016.

International partnerships

Last November, Targovax announced an agreement with US based Ludwig Cancer Research (LCR) and the Cancer Research Institute (CRI) to conduct a trial to evaluate ONCOS-102 in combination with other immunotherapies such as checkpoint inhibitors.

The Executive director of technology development at LCR stated:

"We believe oncolytic virotherapy—in which engineered viruses are deployed against cancer cells—holds considerable promise, especially for boosting the efficacy and expanding the applicability of compatible immunotherapies."

While the managing director of CRI's Clinical Accelerator and venture fund said:

"Our partnership between Targovax and Ludwig is an important step forward in efforts to discover and develop optimally effective immunotherapy treatment regimens."

Also in November, Targovax entered into an agreement with the biotech company Sotio to conduct a combination trial between ONCOS-102 and Sotio's dendritic cell therapy to evaluate

the safety and tolerability in the treatment of advanced prostate cancer. The plan is to recruit the first patient in the second half 2016.

In both partnership agreements, Targovax will have access to well-known expertise and networks that will provide us with new opportunities for exciting research.

We are delighted with the partnerships and excited at what may come of them.

The year ahead

Last year was an important step in creating a Nordic leader within immuno-oncology. I am proud of the Targovax team for bringing us here, and I am grateful to you, our shareholders, for your continued support.

Going forward we will give full attention to advancing our clinical programs preparing for multiple data read-outs in 2017. At the same time, we will endeavour to expand the shareholder base and explore additional research and development collaborations.

Targovax wants to create a new future for cancer patients, our industry, and our company. I hope you share the excitement about our path and our corporate goal: To secure a front-line position in the immuno-oncology space by arming the patients' immune system to fight cancer.

Gunnar Gårdemyr
CEO Targovax Group

Directors Report

2015 was an eventful year for Targovax ASA (The company), both organizationally and operationally. In June, the company acquired all the shares in the Finnish company Oncos Therapeutics OY, creating a Nordic leading immuno-oncology group (The Group), with multiple assets in research and development and a strong internationally experienced management team.

Following the merger, the company raised NOK 200 million through a private placement, securing funding of ongoing operations and development programs through the second half of 2016.

On the operational side, the combined group experienced significant advances within both the peptide based cancer vaccine platform (TG), and the oncolytic virus platform (ONCOS), entering agreements for collaboration with leading international research institutions in Europe and the US.

Strategy and strategic focus areas

Targovax is a clinical stage immuno-oncology group, committed to developing, manufacturing and delivering innovative and targeted first-in-class therapeutic cancer vaccines to extend and transform the lives of cancer patients with solid tumors.

The Group aims to become a leading immuno-oncology development group with a broad and diversified portfolio of immunotherapy candidates in multiple cancer indications. Targovax's cancer vaccines under development are ideally positioned to be combined with standard of care chemotherapies as well as other types of immunotherapies, for example check point inhibitors.

To achieve this vision, the business will focus particularly on the following:

- Rapidly advancing current targeted therapeutic product candidates (TG01 and ONCOS-102) into phase II clinical trials
- Evaluate the combination of ONCOS-102 and check point inhibitors (CPIs) patients who do not respond to CPI treatment
- Progress further candidates to the product development stage
- Explore the combination of the Group's peptide therapeutic cancer vaccines for RAS mutations together with its viral therapeutic cancer vaccines
- Optimise the Group's manufacturing capabilities to ensure later stage clinical trials and commercial supply
- Expand the Group's intellectual property profile
- Selectively pursue partnerships and collaborations

Business and technology platforms

Targovax is developing two complementary approaches to cancer immunotherapy:

- A virus-based oncolytic immunotherapy platform based on engineered oncolytic viruses armed with potent immune-stimulating transgenes for patients with solid tumors (ONCOS platform)
- A peptide-based, targeted immunotherapy platform for patients with RAS-mutated cancers (TG platform)

Both treatment approaches harness the patient's own immune system to fight cancer.

Targovax's virus-based oncolytic immunotherapeutic technology has a targeted mechanism of action, making tumors visible to the immune system and educating the immune system to recognize and attack patient specific tumor cells. The technology is based on adenoviruses engineered to kill tumor cells, primarily via activation of a systemic, patient-specific, tumor-targeted immune response. The lead product candidate is ONCOS-102. Targovax's ONCOS immunotherapy technology is designed to stimulate the immune system in several ways in order to educate the immune system to recognize and fight cancer. Firstly, when Targovax's adenovirus infects and kills tumor cells, it makes small peptide fragments of the tumor (tumor-specific neoantigens) visible to the immune system by causing them to be released from the killed tumor cells in the presence of antigen presenting cells (APCs) which 'display' these fragments to other immune cells such as T-cells which are then activated to target and kill the tumor. Secondly, ONCOS-102 contains the transgene for GM-CSF (granulocyte-macrophage colony-stimulating factor). GM-CSF helps alert immune cells to the presence of the newly released neoantigens. Thirdly, in addition to stimulating new T cell responses against the tumor, ONCOS-102 is also strengthening already existing T cell responses against the tumor because the sheer presence of adenovirus in a tumor attracts T cells to the tumor. A second virus product candidate, ONCOS-402, could be ready to enter clinical development as early as 2017.

The TG immunotherapy platform is designed with activate immune responses to peptides fragments that are recognized by both MHC (major histocompatibility complex) class II complexes as well as MHC class I complexes. The TG product candidates are therefore able to activate both CD8+ cytotoxic T cells and CD4+ helper T cells. Peptides are not immunogenic by themselves and need an adjuvant to attract immune cells to the peptides and enhance the ability of that stimulates the immune system to recognize the peptides and to process them. Targovax has selected GM-CSF as its adjuvant for peptide vaccination. Targovax is working towards demonstrating that the TG vaccines can prolong time to cancer progression and increase survival by inducing immune responses in cancer patients with RAS mutations. Currently, two TG product candidates are being developed: TG01 for resected

pancreatic cancer and TG02 for colorectal cancer. RAS mutated cancer are difficult to treat and found in approximately 85% of pancreatic cancers, 50% of colorectal cancers and 20-30% of all cancers.

Clinical development programs

ONCOS-102 Mesothelioma

This trial will be a randomized phase I/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 6 patients in the safety cohort and approximately 24 patients in the randomized phase II part. Clinical trial documentation for ethical and regulatory assessment was finalized in January 2016 and the trial will be initiated second half of 2016.

ONCOS-102 Melanoma

This trial will be an explorative open-label trial to determine anti-tumor immune activation and clinical response of ONCOS-102 given with an immune checkpoint inhibitor in patients with advanced melanoma who have stopped responding to previous treatment with immune checkpoint inhibitors. The trial is planned to include approximately 12 patients in the US and will commence in the second half of 2016.

TG01 Pancreatic Cancer

This trial 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 the first cohort, 19 patients have received the combined treatment. 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, two of which were severe, representing dose limiting toxicity (DLT). This has led to study a slightly different regimen. A modified vaccination regiment has been introduced and up to 13 patients will be included in this new cohort. The trial centers are open and actively recruiting patients.

TG02 Colorectal Cancer

This trial will be an open label, non-randomized, phase Ib exploratory trial of TG02 in combination with pembrolizumab, an immune checkpoint inhibitor (fully humanized programmed cell death 1 (PD-1) blocking antibody) to determine safety and anti-tumor

immune activation of TG02 in patients with colorectal cancer with progressive disease waiting for pelvic mass resection. Immune activation will be measured through skin DTH-test, PBCM (cancer antigen specific T-cells) and resected tumor material (cytotoxic T-cells). The trial is planned to include approximately 20 patients at sites in Australia. The submission and approval process has been initiated and trial start up is planned for second half of 2016.

Clinical studies with external parties

In November 2015, Targovax entered into an agreement with the US institutions Ludwig Cancer Research (LCR) and the Cancer Research Institute (CRI) to evaluate ONCOS-102 in early phase clinical trials, testing this immunotherapy in combination with other, potentially synergistic immunotherapies such as checkpoint inhibitors. The publication of exact indications and commencement of the trial is expected during 2016.

Through this collaboration, Targovax will gain access to the well-known expertise and network of CRI and 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.

Also in November, Targovax and the biotech company Sotio agreed to design and run a collaboration trial 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.

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

Both of these collaborations involve cost sharing between the parties. The cash flow effect of conducting these collaboration trials is expected to be modest for Targovax.

Important events in 2015

On 1 June 2015, Targovax presented interim data from the ongoing phase I/II clinical trial of TG01 at the annual meeting of American Society of Clinical Oncology (ASCO 2015). The trial involved testing of Targovax's therapeutic cancer vaccine TG01 in combination with gemcitabine, in patients with resected pancreatic cancer. The regimen was generally well tolerated and RAS specific T-cell immune responses were induced and enhanced during the treatment phase.

Also in June, Targovax entered into an agreement with the shareholders of Oncos Therapeutics Oy to acquire the shares of Oncos, creating a larger and more visible Nordic

immuno-oncology player with a more extensive clinical portfolio. Combining the companies resulted in a strong senior management team, a portfolio of multiple assets in research and development, and a broad shareholder base including reputable institutional investors. Furthermore, the combination of two highly competent and complementary organizations will promote a more efficient execution and accelerated development of ongoing and future programs. Settlement for the acquisition of Oncos was in Targovax shares, and after the transaction, the former shareholders of Oncos held 50 per cent of Targovax.

Following the Oncos transaction, Targovax issued 8,000,000 new shares in a private placement, raising NOK 200 million to secure funding for ongoing and planned studies. Following the private placement, HealthCap and the Norwegian Radium Hospital Research Foundation became the two largest shareholders of the company, holding 32 and 13 per cent respectively of the total shares outstanding. The Private Placement was also directed towards 24 employees of Targovax and Oncos, their respective subsidiaries, and companies controlled by any such employees.

At the extraordinary general meeting held 22 June, a new Board of directors was elected, consisting of Jónas Einarsson (chair), Bente-Lill Romøren, Lars Lund-Roland, Per Samuelsson, Robert Burns and Johan Christenson. At the extraordinary general meeting held 14 September, Eva-Lotta Allan and Diane Mellett were elected to the Board of directors, and it was decided to convert the company from a Norwegian private limited company into a Norwegian public limited company (ASA).

In November, Targovax entered into an agreement with Ludwig Cancer Research (LCR) and the Cancer Research Institute (CRI) in New York to evaluate ONCOS-102 in combination with other immunotherapies such as checkpoint inhibitors. Also in November, Targovax entered into a collaboration with the Czech biotech company Sotio to run a clinical trial combining ONCOS-102 and Sotio's dendritic cell therapy to evaluate the safety and tolerability in the treatment of advanced prostate cancer. Both trials will commence in 2016.

At the SITC (Society for Immunotherapy of Cancer) conference in Washington DC in November, Targovax presented immune biomarker data from a phase I trial, suggesting that local immunotherapy with ONCOS-102 has the potential to activate immunologically silent tumours, and reduce local immune suppression in advanced tumours. SITC is the world's leading member-driven organization specifically dedicated to professionals working in the field of cancer immunology and immunotherapy.

Important events after balance sheet date

In January 2016, Targovax submitted a trial 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.

In March 2016, Targovax reported encouraging interim survival results from its ongoing phase I/II trial of TG01 in resected pancreatic cancer. In this 19 patients trial, 15 patients provided consent to be followed up of which 14 patients were alive after one year.

Key figures in the consolidated accounts

Income statement (2014 figures in brackets)

In 2015 Targovax had revenues related to a non-core service fee amounted to NOK 0.1 million (NOK 0m).

Total operating expenses for 2015 amounted to NOK 90 million (NOK 18m), of which payroll and related expenses amounts to NOK 35 million (NOK 5m). The operating expenses are reported net of governmental grants, which amounted to NOK 9 million in the period (NOK 8m). The higher operating expenses reflects the combination with Oncos and more activities in all areas of the business.

Operating loss amounted to NOK 90 million in 2015 (NOK 18m).

Financial income amounted to NOK 2 million or the year (NOK 0.3m). The group has financial expenses of NOK 3 million (NOK 0.4m).

Taxes amounted to NOK 2 million (NOK 0m), leaving the loss for the 2015 at NOK 92 million (NOK 18m).

Cash flow

Net cash was NOK 174 million at the end of the year, compared to NOK 63 million at the end of 2014. The change in net cash level was driven by the NOK 200 million capital increase undertaken in July offset primarily by operating activities.

Net cash outflow for the year was negative NOK 81 million from operating activities (NOK 14m), and positive NOK 191 million from financing activities (NOK 68m). The difference between the operating loss and negative cash flow from operating activities is due to activities completed in 2015 not yet invoiced at 31 December 2015. The increase in cash flow from financing activities has led to the opportunity to expand the operational activities, hence the outflow from operational activities have increased.

Financial position

As at 31 December 2015, Targovax had total assets of NOK 545 million, compared to NOK 67 million by the end of 2014.

Total current assets amounted to NOK 185 million (NOK 67m), of which cash and cash equivalents amounted to NOK 174 million (NOK 63m).

Total non-current assets were NOK 360 million (NOK 0.2m), of which intangible assets amounted to NOK 358 million (NOK 0m).

Booked equity amounted to NOK 423 million, increased from NOK 61 million in 2014. The equity ratio amount to 77.6 percent compared to 90.1 percent in 2014.

Going concern

The financial statements for 2015 have been prepared under the going concern assumption, as stipulated in Section 3.3a of the Norwegian Accounting Act. With reference to the Group's financial results, financial position and forecasts for years to come, it is hereby confirmed that grounds for this assumption do exist.

Risk factors and risk management

Targovax is subject to a number of operational and financial risk factors and uncertainties which may affect parts or all the activities in the group. The Group proactively manages such risks and management and the Board of Directors regularly analyse operations and potential risk factors to take measures to reduce risk exposure.

Operational risk

Targovax's activity is development of pharmaceutical medications. Development of pharmaceuticals normally goes through several stages before commercialisation and risk for failure is generally inherent throughout the process.

The group is in an early phase, with one clinical trial ongoing and several clinical studies planned to start in 2016. As the results from these studies are yet to be revealed, the uncertainty related to the outcome of these may be regarded as the most important risk factor.

Also, delays in the work with ongoing, or in the preparations of new clinical studies, are important risk factors. Targovax is currently in the preparation-phase of drug substance

production, and unforeseen incidents and delays may have impact on the progress of ongoing and planned clinical studies.

As many studies depend on both funding and technology from external partners for completion, uncertainties append to these partners' willingness to carry the studies through.

Development of pharmaceuticals is highly time consuming and costly and as Targovax depend on third parties to conduct its clinical trials, delays or other unforeseen discrepancies outside Targovax's control may occur. Such delays in trials might increase the cost of the trial and additional capital requirements might arise

Targovax also conduct clinical trials in combination with third-party products. Limited access or any other constraints in terms of use of such products may adversely impact the progress or clinical development of Targovax's trials and products.

To secure progress according to plans and budgets, Targovax has implemented and execute routines and practises, including monitoring, evaluation and reporting, to secure planned and approved project developments.

The clinical trials also include volunteer patients and Targovax put great emphasis on the safety of these as well as general regulatory framework of the development of pharmaceuticals.

The Group's lead product candidates, TG01 and ONCOS-102, are currently in clinical phase II and phase I, respectively.

The success, competitive position and future revenues will depend in part on Targovax's ability to protect its intellectual property and know-how. To date, Targovax holds certain exclusive patent rights and has filed several patent applications, however, there will always exist uncertainties related to predicting the degree and range of the protection from patents.

Financial risks

Being an early phase research and development group, Targovax is accumulating financial losses. Operating losses are expected to persist during the development phases of the Groups's products, and potentially cash generating operations are not expected until of one or more of the group's products are commercialised.

General monitoring of risks related to the financial development is secured through control of financial reporting. This is achieved through day-to-day follow-up by management, supervised by the Board of Directors, through periodical reporting and evaluation. Non-conformances and

improvement opportunities are followed up and corrective measures implemented continuously.

Funding of ongoing operations is and will be for some time depending on external sources, mainly equity contributions. Significant changes to financial market conditions, may affect the climate for seed and venture investments in general and Targovax's IPO plans in particular.

To maintain and expand the company's base of potential investors and securing access to risk capital when needed, The Targovax management continuously promote and present the group through road shows and participation on industry- and investor seminars.

Interest rate fluctuations may in the future affect the Group's business, financial condition, results of operations, cash flows, time to market and prospects. Currently, the Group has no long-term debt other than its debt to Tekes. The debt to Tekes carry an annual interest equal to the European Central Bank's steering rate less 3 percentage points, but in no event less than 1 per cent. The current interest is 1 per cent per annum.

Fluctuations in exchange rates could affect the Group's cash flow and financial condition. The currency exposure include both transaction risk and risk related to translation of operating expenses.

Transaction risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group undertakes various transactions in foreign currencies and is consequently exposed to fluctuations in exchange rates. The exposure arises largely from research expenses. The group is mainly exposed to fluctuations in EUR, GBP, and CHF. Translation risk in the company arises when amounts denominated in foreign currencies are converted to NOK, the company's reporting and functional currency. One of the Group's subsidiaries has EUR as its reporting and functional currency, while another has CHF.

Targovax has costs and payments in several currencies, EUR the most prominent but also USD, CHF and other. Cash inflow takes place in NOK through capital increases. Targovax manages currency risk by matching expected outflows with holdings in all major currencies.

Market developments

Pharmaceutical market overall

During the last decade, the global pharmaceutical industry has demonstrated an annual growth of 6.4 per cent. The world pharmaceutical market was estimated to USD 850 billion¹. For the coming 5-year period, the annual growth rate is expected to drop slightly below 5 per cent.

The largest single market is North America, in 2014 accounting for 38 per cent, compared to Europe accounting for 23 per cent. However, the main driver behind the growth in recent years has been emerging markets, and in the 2009-2014 period growth in Asia, Africa and Latin America was around twice the global growth.

The cancer market

General

The market for cancer therapeutics has experienced lower growth than anticipated in recent years. Following a period (2003-08) with an annual growth-rate above 14 per cent, growth fell to 5.4 per cent in the following five-year period. In 2013 worldwide spending on cancer drugs passed USD 90 billion. The slowdown is partly explained by fewer major breakthroughs. However in the last 12-18 months there has been a rise in activity in the equity markets, with numerous companies applying for a listing in the US and Europe. Based on the total pipeline and news flow communicated by these various companies, this may, depending on the success of clinical development, result in more products reaching market and could alter the growth rate going forward.

The Cancer Epidemiology

The World Health Organisation (“WHO”) estimates that cancer accounted for more than 8 million deaths in 2012 globally, which makes it the world’s most deadly disease. The same year, more than 32 million individuals lived with a five-year cancer diagnosis, while 14 million new cases of cancer were reported. Today, cancer accounts for about one in every seven deaths worldwide and by 2030, the American Cancer Society expects the number of new incidents of cancer to be close to 22 million per year, and that the number of deaths by cancer will increase to 13 million.

¹ Key Data 2013, European Federation of Pharmaceutica Industries and Associations (efpia)

Types of cancer treatment

The cancer therapy (oncology) market is a broad market, and the optimal treatment depends on the type and state of the cancer, as well as the patient's overall physical condition. A patient's treatment plan may consist of one or many different treatments, all depending on the situation. Some cancer patients suffer from extreme pain and want to increase their life quality for the remaining part of their lives, while others being cured is the target. Among the most common treatments are: surgery, chemotherapy, radiation therapy, hormonal therapy and targeted therapy.

Immunotherapy

Doctors and scientists agree that the immune system can be used to fight cancer, and have in recent years managed to design therapies which uses a patient's own immune system to fight cancer. Immunotherapy is a form of therapy designed to activate a patient's immune system in the fight against cancer. The immune system can be utilised in several ways, but the most common is to increase or "boost" the immune system and to stimulate it to recognise the cancer cells as foreign bodies that are to be removed. This is normally achieved by giving patients antibodies, vaccines or non-specific cancer immunotherapies and adjuvants. Immunotherapy is now an important form of treatment in the fight against many types of cancer.

Within immunotherapy there are several different variations and approaches. One approach is to inject a virus directly into the tumor, which subsequently kills some of the cancer cells through a process in which the cell membrane is broken down (often referred to as "Lysis"). When the cell membrane is broken down, unique tumor antigens are released and the immune system learns to recognise the unique cancer cells of each patient. As a result, the patient's immune cells (eg. T cells) will start to find and kill cancer cells.

Another approach focus on a family of proteins called RAS. These proteins are ubiquitously expressed in all cell lineages and play an important role in regulating cell growth and division. Mutation of RAS can cause sustained cell division and thus drive cancer development. RAS-mutation is an early cancer marker present in up to 30 per cent of all cancers² and one

² Fernandez-Medarde, A. and Santos, E.; RAS in cancer and Developmental Diseases Genes & Cancer. 2011, 2(3): 344-358

therapeutic technique is to use peptide-based cancer vaccine candidates that target RAS-mutations. These peptides are injected into the skin of the patient and subsequently the immune system learns to recognise the RAS-mutations and activate T cells to kill the cancer cells with RAS-mutated proteins.

External environment

The group does not pollute the external environment more than what is considered normal for this industry. All production and distribution is outsourced. When selecting suppliers, Targovax evaluate each candidate's ethical and responsible business conduct including environment, health and safety policy.

Corporate social responsibility

Targovax is a clinical stage immuno-oncology group dedicated to the development of highly targeted immunotherapies for cancer patients.

We believe that creating value for patients, customers and society strengthens our business and provides value for shareholders, and that our commitment to corporate social responsibility will enhance this by building strong relationships with our stakeholders.

Our commitment to corporate social responsibility is driven by our values, trust, quality, teamwork and innovation and is reflected in Targovax focus to develop innovative immunotherapies to fight cancer, human resources, environment, governance and ethics.

Targovax has a set of Corporate Social Responsibility principles agreed by the Board on 3 September 2015. They consist of principles related to:

- Social commitment
- Business conduct
- Anti-corruption
- Human rights
- Labour rights and work conditions
- Whistleblowing
- Environmental responsibility

The complete content of the principles is published on the company's website www.targovax.com.

Targovax conducts social commitment through its mission to extend and transform the lives of cancer patients with highly targeted immunotherapies. This mission encompasses all

activities from developing products, gaining approval by relevant authorities, working with patient organizations and hospitals and finally getting the products to the market.

The group is developing two complementary and highly targeted approaches in immunology: a peptide-based immunotherapy platform for patients with RAS-mutated cancers and a virus-based immunotherapy platform based on engineered oncolytic viruses armed with potent immune-stimulating transgenes for patients with solid tumours. Both treatment approaches harness the patient's own immune system to fight cancer.

Personnel and organisation

The group has a policy to outsource non-core operations and highly specialised services. The Board consider the work environment within the group to be good. No accidents or injuries resulting in absence was registered in 2015. Absence due to illness in the group was 0.8 percent in 2015, considerably lower than the industry standard.

As at 31 December 2015, Targovax had a total of 27 employees, compared with 6 employees at the end of 2014.

Health, Safety and Environment

Targovax aims to be a workplace with equal opportunities in all areas. The group has traditionally recruited from environments where the number of women and men is relatively equally represented. In terms of gender equality, 38 per cent of board members are women, as are 22 per cent of the senior management team. Working time arrangements at the group are independent of gender.

Targovax's policy is to promote equal human rights and opportunities and prevent discrimination because of gender, ethnicity, nationality, ancestry, colour or religion. Targovax is working actively to promote the anti-discrimination act in our business. The activities include recruitment, salary and working conditions, promotion, professional development and protection against harassment.

Targovax aims to be a workplace where there is no discrimination because of disability. Targovax works actively to design and facilitate the physical environment so that the Group's various functions can be used by as many as possible.

Corporate governance and ethics

Ensuring good governance practices involves all people in Targovax. This includes governance as documented in the guidelines for corporate governance, ethical conduct and anti-corruption based on the Targovax values and respect for human rights. Targovax supplier requirements in terms of adherence to our practices, guidelines and values are an integral part of all stages of the procurement process including selection and auditing.

Our values set out our expectation for everyone to behave ethically in everything they do. Our values are trust, quality, teamwork and innovation

Targovax considers solid corporate governance as a prerequisite to creating value for shareholders and gaining the confidence of investors. Targovax will strive to comply with the generally accepted principles of good corporate governance through its internal controls and management structure. Targovax believes that its current guidelines for corporate governance are in line with the latest version of the Norwegian Code of Practice for Corporate Governance, and a description of this is given at the end of the Annual report. A complete description of the recommendation is available at the Norwegian Corporate Governance Board (NCGB) web pages (www.nues.no).

For further details, please see the section entitled Corporate Governance in this Annual Report and on the group's homepage.

Shareholder information

During 2015 the Targovax share was traded in the NOK 12.00 – 36.00 range. During 2015, some 1.87 million shares were traded, with a total value of NOK 45 million. Closing price on 31 December was NOK 17.00 per share, corresponding to a market-value of NOK 457 million.

As of 1 March 2016, there were 26,883,808 shares outstanding in Targovax, distributed to 196 shareholders. HealthCap is the largest shareholder, holding about 32 percent of total shares outstanding. The 20 largest shareholders control 84 percent of total shares outstanding.

Key management and members of the board holds a total of 885 086 shares in the company, representing some 3.3% of total shares outstanding

Shareholder	# shares	%
HEALTHCAP	8,488,918	32 %
RADIUMHOSPITALET FORSKNINGSSTIFT.	3,410,589	13 %
DATUM INVEST AS	2,462,000	9 %
ARCTIC FUNDS PLC	907,000	3 %
TIMMUNO AS	724,650	3 %
PRIETA AS	720,000	3 %
PORTIA AS	631,945	2 %
DANSKE BANK A/S	587,971	2 %
NORDNET BANK AB	570,022	2 %
VERDIPAPIRFONDET KLP AKSJENORGE	460,000	2 %
ELTEK HOLDING AS	442,000	2 %
STATOIL PENSJON	433,716	2 %
STOREBRAND VEKST	426,000	2 %
PACTUM AS	400,000	1 %
BIRK VENTURE AS	378,980	1 %
OP-EUROPE EQUITY FUND	357,869	1 %
TOBECH INVEST AS	286,449	1 %
VIOLA AS	280,000	1 %
KOMMUNAL LANDSPENSJONSKASSE	270,000	1 %
VERDIPAPIRFONDET DNB GRØNT NORDEN	250,919	1 %
TOTAL 20 LARGEST SHAREHOLDERS	22,489,028	84 %
OTHER SHAREHOLDERS (176)	4,394,780	16 %
TOTAL ALL SHAREHOLDERS	26,883,808	100 %

Remuneration to management

The remuneration of the management is intended to ensure the Group's continued ability to attract and retain the most qualified management team members and to provide solid basis for succession planning.

The Compensation Committee submits recommendations on compensation policy and adjustments in remuneration of the management team members for the approval of the Board of Directors. The remuneration of the management team may consist of fixed salary and supplements, incentive programs and pension schemes. Subject to individual agreement, members of the management team are also entitled to other fixed benefits.

Information about the work in the Compensation Committee and applied and proposed compensation principles for the management team in 2015 and 2016 respectively are in the Compensation Report submitted in note 11 to the Annual Accounts.

Financial results and allocation of profits in Targovax ASA

Targovax ASA is the holding company in the Targovax group. Targovax ASA reported a loss before tax of NOK 61 million (NOK 18m). Total cash amount to NOK 166 million at the end of 2015 compared to NOK 63 million at the end of 2014. Equity at the end of 2015 amount to NOK 430 million compared to NOK 61 million at the end of 2014.

Targovax ASA's annual result amounted to a loss of NOK 61 million. The Board of Directors proposed that the loss is transferred to accumulated loss.

Outlook

Targovax's 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 collaborators Sotio and LICR/CRI, are planning to start trials in advanced prostate cancer and other solid tumor indications. In addition, the group will continue the ongoing trials of TG01 in resected pancreatic cancer.


In the first half of 2016, the group intends to publish immune data for the second cohort of patients in the TG01 trial in pancreatic cancer which will help the group 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 investor relations outreach.

According to current plans, the group 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.

Oslo, 16 March 2016

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

Responsibility Statement from the Board of Directors and the Managing Director

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 31 December 2015 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair view of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Oslo, 16 March 2016

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



Gunnar Gårdemyr
Chief Executive Officer

Management

The Company's management team consists of nine individuals. Set out below are brief biographies of the members of Management. Holdings of shares and share options as at 16 March 2015.



Gunnar Gårdemyr – Chief Executive Officer

Gunnar Gårdemyr has more than 30 years of senior level international experience in the pharmaceutical and biotech industry, including business development, mergers & acquisitions, global marketing and commercial strategy. Prior to this position, he was Senior Vice President, Corporate Development/M&A, Global Business Development, Nycomed and Senior Vice President, Global Marketing, Takeda in Zurich, Switzerland, where he led the commercial assessment of external business development licensing opportunities, followed by a position as Corporate Advisor for Acino Pharma in Basel, Switzerland. Mr Gårdemyr began his career at Astra, followed by Ferring, Tigran Technologies and Retinalyze. He has a Bachelor of Science in Business Administration and Economics from the University of Lund, Sweden. Mr Gårdemyr is a Swedish citizen, and resides in Switzerland.

Shares	20 000
Share options	500 000



Øystein Soug – Chief Financial Officer

Øystein Soug has experience from 20 years in international banking, industry and biotech. The last six years before joining the Company he was CFO of Algeta ASA, where he built up the functions of Finance, IR, Compliance, IT and HR. Mr Soug oversaw Algeta ASA's launch of Xofigo, capital raisings of some USD 200 million and the subsequent USD 2.9 billion sale of Algeta to Bayer. He has experience from positions at Orkla Group as CFO of its the previous Russian operations, and Project Manager in Orkla's Corporate Development M&A team as well as at the European Bank for Reconstruction and Development (EBRD) in Russia. He has a MSc in Economics and Finance from the University of St. Gallen (lic.oec.HSG). Mr Soug is a Norwegian citizen, and resides in Norway.

Shares	25 600
Share options	390 000

Jon Amund Eriksen – Chief Operating Officer

Jon Amund Eriksen is co-founder and co-inventor of the Targovax technology. Mr Eriksen has more than 30 years of experience in the pharmaceutical and biotech industry (Nycomed, Norsk Hydro, GemVax, Pharmexa and Lytix Biopharma). He has previously held several senior positions as scientist, project leader and manager within development of cancer immunotherapy from discovery and early preclinical to phase III clinical development. He is co-inventor of several patents for peptide cancer vaccines. Mr Eriksen holds a MSc in Chemistry from the University of Oslo. Mr Eriksen is a

Norwegian citizen, and resides in Norway.

Shares	724 650
Share options	160 000

**Magnus Jäderberg – Chief Medical Officer**

Magnus Jäderberg is a pharmaceutical physician with more than 25 years in various R&D functions including clinical research, medical affairs, pharmacovigilance, strategic product development, health economics and general management. Dr Jäderberg is experienced in all phases of clinical research, including clinical pharmacology, dose finding, registration, post-launch product differentiation and surveillance. His immunotherapy and clinical development expertise includes several medicines such as Rapamune (sirolimus) and Yervoy (ipilimumab). Prior to joining the Group, Mr Jäderberg held roles at national, European and global level at GSK, Pharmacia, Wyeth and most recently as Chief Medical Officer, Bristol Myers Squibb (Europe). He qualified in medicine at Karolinska Institute, Stockholm, Sweden, and is a fellow of the Faculty of Pharmaceutical Medicine of the Royal Colleges of Physicians of the United Kingdom, and honorary lecturer in drug development at King's College, London, United Kingdom. Dr Jäderberg is a Swedish citizen, and resides in the United Kingdom.

Shares	20 000
Share options	390 000



Antti Vuolanto – Executive Vice President

Antti Vuolanto has more than 10 years of experience in biotechnology business development, product development and commercialization. Prior to this position, he was a management team member responsible for product commercialization, product development and quality at Mobidiag, a company specializing in rapid nucleic acid-based infectious disease diagnostics. Mr Vuolanto was also project manager at MediceL developing bioinformatics infrastructure. He is a Doctor of Science (Technology) in bioprocess engineering from Aalto University in Helsinki. Mr. Vuolanto is a Finnish citizen, and resides in Finland.

Shares	61 773
Share options	181 000



Tina Madsen – Vice President, Quality Assurance

Tina Madsen has more than 20 years of experience within research & development and commercial manufacturing in the pharmaceutical and biotech industry, including quality assurance, process development and formulation. She has held managing positions within formulation and process development in Alpharma and QA in GE Healthcare. Before joining Targovax, she was Director of Product Quality Assurance in Algeta ASA (now Bayer AS). Ms Madsen holds a MSc in Pharmacy. Ms Madsen is a Danish citizen, and resides in Norway.

Shares	800
Share options	53 000



Anne Kirsti Aksnes – Vice President, Clinical Development

Anne Kirsti Aksnes has more than 20 years of experience within clinical research and development in the pharmaceutical and biotech industry and 10 years of experience working in clinical physiology.

Previously, she was VP Clinical Research in Algeta ASA (now Bayer AS), where she had a key role in the strategic, scientific and clinical development as well as in medical communications.

She holds a medical doctorate degree (PhD) at Karolinska Institute, Sweden. Mrs Aksnes is a Norwegian citizen, and resides in Norway.

Shares	4 000
Share options	53 000



Nikolaj Knudtzon – Head of HR

Nikolaj Knudtzon is a HR Strategic Business Partner with more than 15 years of experience within development and implementation of strategic HR in close cooperation with business and executives. He has experience as a trusted member of top management teams and responsible for all aspects of HR in large international organisations. Mr Knudtzon has strong expertise in transformational changes of organisations in regions worldwide. He has a Master in Law from Copenhagen University and a Certificate

in Business Administration from AVT in association with Harvard Business School. Mr Knudtzon is a Danish citizen, and resides in Switzerland.

Shares	0
Share options	0

**Peter Skorpil – Vice President, Business Development**

Peter Skorpil has extensive experience in licensing, commercial assessments, business intelligence and partnering. Previously, he was Commercial Director in Pronova BioPharma and Business Development Manager for Clavis Pharma where he was responsible for, among other things, out-licensing and managing Clavis partners. Mr Skorpil has also worked as a venture capital analyst at NeoMed Management. He holds an MBA from Brandeis University, Massachusetts, USA and a PhD in molecular biology from University of Geneva, Switzerland. Mr Skorpil is a Swiss citizen, and resides in Norway.

Shares	4 000
Share options	45 000

Board of Directors

Set out below are brief biographies of the Board Members.



Jónas Einarsson, Chairperson

Jónas Einarsson is the CEO of the Norwegian Radium Hospital Research Foundation. The Norwegian Radium Hospital Research Foundation is an experienced pre-seed investor and project developer focused on cancer. Mr Einarsson sits on the board of directors of several Norwegian biotech companies and was one of the initiators behind Oslo Cancer Cluster and the Oslo Cancer Cluster Innovation Park. Mr Einarsson is a Norwegian citizen, and

resides in Norway.

Shares	0
Share options	0



Bente-Lill Bjerkelund Romøren, Board member

Bente-Lill Bjerkelund Romøren is a consultant with 40 years of experience gained from national and international management positions in the pharmaceutical industry. She was formerly CEO of Novo Nordisk Scandinavia. Her experience spans senior management, marketing, sales, business development, licensing, market access, public affairs, clinical trials and lifecycle management. Ms Bjerkelund Romøren has good knowledge of the health care system as well as regulations and framework for the pharmaceutical market. She has board member experience from private and public sector (health care). She holds a MSc degree in chemistry from the Norwegian Institute of Technology in Trondheim. Ms Bjerkelund Romøren is a Norwegian citizen, and resides in Norway.

Shares	0
Share options	0



Johan Christenson, Board member

Dr. Johan Christenson has been a Partner at HealthCap since 2001. He has been in the life science sector covering science, medicine, drug development and venture investments since 1981. Prior to joining HealthCap, Dr Christenson was with SEB Företagsinvest (the venture capital arm of SEB) to supervise the health care portfolio. He was Global Product Director and member of the global therapy area management team of Pain and Inflammation at AstraZeneca. He has a MD degree and a PhD in basic neuroscience from Karolinska Institute. He held a position as Assistant Dean at the Karolinska Institute Graduate School for two years. Dr. Christenson has four years of clinical specialist training in paediatrics and paediatric neurology. Dr Christenson is a Swedish citizen, and resides in Sweden.

Shares	0
Share options	0



Lars-Lund Roland, Board member

Lars Lund-Roland has for the last three years been CEO of Bringwell AB (publ), a Nordic health and welfare company listed in Stockholm, that commercialises OTC pharmaceuticals, nutrition and food supplements. Prior to this, he has been Managing Director of MSD Norway (Merck & Co Inc. subsidiary) for 10 years and has gained more than twenty-five years of big-pharma experience from various executive positions within marketing and sales at Merck & Co., Inc. He currently holds board positions at Vaccibody AS and PI Innovation AS and has served as board member of Infodoc AS and Health Tech AS, two Norwegian health technology companies, as well as on the board of the Norwegian Association of Pharmaceutical Manufacturers. He is a Business Economist Graduate from Norwegian Business School BI, has a BSc in Healthcare from Buskerud University College and leadership education from the Sr. Executive program at Columbia Business School and Harvard. Mr. Lund-Roland is a Norwegian citizen, and resides in Norway.

Shares	0
Share options	0



Per Samuelsson, Board member

Per Samuelsson is a partner at Odlander Fredrikson/HealthCap, the life sciences venture capital firm, which he joined in 2000. Prior to this, he gained more than 15 years of investment banking experience, mainly with Aros Securities in Sweden. In his final position with Aros Securities, as a Director in the firm's corporate finance department, he specialized in the areas of merger transactions, initial public offerings, and equity incentive programs. Prior to this, Mr Samuelsson was Head of Research, also at Aros Securities. He currently holds several Board positions at BioStratum Inc, Nordic Vision Clinics AS, Oncopeptides AB, RSPR Pharma AB, Nordic Nanovector ASA and SwedenBIO. He received his MSc in Engineering from the Institute of Technology in Linköping, Sweden. Mr Samuelsson is a Swedish citizen, and resides in Sweden.

Shares	0
Share options	0



Robert Burns, Board member

Robert Burns is a consultant and advisor to companies developing immune based therapies in cancer. He has experience over more than 30 years in building biotechnology companies focused on immuno-oncology and was a member of the board of directors of Oncos prior to the Combination. He is currently the Chairman of Haemostatix Limited and was previously CEO at 4-Antibody AG, Affitech A/S (NASDAQ/OMX) and Celldex Therapeutics Inc (NASDAQ), each immuno-oncology vaccine and antibody discovery companies. Prior to Celldex Therapeutics, Dr Burns was Director of Technology Licensing at the Ludwig Institute for Cancer Research, an international independently financed not-for-profit research group focused on cancer vaccines and antibody based immunotherapies. He holds a PhD in Chemistry and is a UK citizen, residing in Oxford, UK.

Shares	29 063
Share options	23 235



Eva-Lotta Coulter (known as Eva-Lotta Allan), Board member

Eva-Lotta Allan is an experienced biotechnology deal-maker with over 25 years of business development experience from the biotechnology and life science industry in both private and public companies. She has significant operational and investor relations expertise as well as Board experience. She is Chief Business Officer at Immunocore, an immune-oncology company specializing in the development of soluble T cell receptor based drugs. Immunocore secured Europe's largest private life sciences financing in July 2015. Ms Allan was previously at Ablynx NV, where she served as Chief Business Officer for close to seven years and brought in multiple strategic partnerships. She has served as a Non-Executive Director of Isconova AB. Prior to Ablynx, Ms Allan served as Senior Director of Business Development and Site Operations (Europe) at Vertex Pharmaceuticals where she was also a Director of the Board of Vertex Europe. Other senior roles held include Oxford Asymmetry (now Evotec) and Oxford GlycoSciences (now UCB). She received her degree in microbiology from the University of Stockholm. Ms Allan is a Swedish citizen, and resides in the UK.

Shares	0
Share options	0



Diane Mellett, Board member

Diane Mellett is a consultant to a number of biotech and medical device companies. She has qualified in both US and UK law and advises biotechnology companies in commercial contract and intellectual property matters. She was formerly General Counsel for Cambridge Antibody Technology (CAT) (LSE: NASDAQ) and led the secondary NASDAQ listing of that company as well as serving on the board of directors. During her time at CAT, she led a successful defense of a contractual dispute with Abbott Pharmaceuticals (now Abbvie) covering the company's major collaboration partnership covering Humira®, the most successful revenue generating antibody therapy in the pharmaceutical industry to date. Ms Mellett is a UK citizen, and resides in France.

Shares	0
Share options	0

Corporate Governance Report

Targovax ASA (the “Company” and together with its subsidiaries, the “Group”) considers good corporate governance to be a prerequisite for value creation and trustworthiness and for access to capital.

In order to secure strong and sustainable corporate governance, it is important that the Group ensure good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations.

The Norwegian Corporate Governance Board (NCGB or NUES) has for company’s listed on Oslo Børs and Oslo Axess issued “The Norwegian Code of Practice for Corporate Governance” most recently revised 30 October 2014 (the “Code of Practice”). The Code of Practice is available at www.nues.no. The Code of Practice is based on a “comply or explain principle” whereby listed companies must comply with the Code of Practice or explain why they have chosen an alternative approach. How the Company has adapted to this Code of Practice is described in the Company’s Corporate Governance Policy. Each chapter represents the 15 topics in the Code of Practice. It starts with a text box with the recommendations, explains how the policy is followed up by the Company, and finally concludes with any deviations from the Code of Practice.

Implementation and reporting

The board of directors must ensure that the company implements sound corporate governance.

The board of directors must provide a report on the company’s corporate governance in the directors’ report or in a document that is referred to in the directors’ report. The report on the company’s corporate governance must cover every section of the Code of Practice. If the company does not fully comply with this Code of Practice, the company must provide an explanation of the reason for the deviation and what solution it has selected.

The board of directors should define the company’s basic corporate values and formulate ethical guidelines and guidelines for corporate social responsibility in accordance with these values.

The Board adopted its Corporate Governance Policy on 3 September 2015. It is in all material respects based on the Code of Practice, to which the Board has resolved that the Company shall adhere.

The Board adheres to good corporate governance standards and ensures that the Company at all times has sound corporate governance.

The following report covers each point of the Norwegian Code and describes Targovax compliance efforts.

Corporate Social Responsibility principles were adopted by the Board on 3 September 2015 to ensure sound corporate social responsibility. These formalized corporate responsibility principles include principles related to the protection of basic human rights, labor and social issues, environmental responsibility, and business conduct and anti-corruption. The implementation of corporate social responsibility principles in the Group's day-to-day operations, its business strategies and towards various stakeholders is further described at in the Board of directors report 2015.

Internal policies also include a Code of Conduct that defines expectations and ethical behaviour for all employees and Members of the Board. The Targovax Code of Conduct provides the ethical framework for operations and interaction with society and various stakeholders.

Targovax requires Members of the Board and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. They must practice fair dealing, honesty and integrity in every aspect in dealing with other employees, business relations and customers, the public, the business community, shareholders, suppliers, competitors and government authorities.

Deviations from the recommendation: None

Business

The company's business should be clearly defined in its articles of association.

The company should have clear objectives and strategies for its business within the scope of the definition of its business in its articles of association.

The annual report should include the business activities clause from the articles of association and describe the company's objectives and principal strategies.

In accordance with common practice for Norwegian incorporated companies, the Company's business activities are not precisely defined in the articles of incorporation. However, the fundamental objectives and strategy of the Company is to achieve substantial total returns for shareholders by (i) rapidly advance TG01 and ONCOS-102 into phase II clinical trials, (ii) progress further targeted therapeutic cancer vaccines candidates to the product development stage, (iii) explore the combination of the Group's peptide therapeutic cancer vaccines for RAS mutations together with its viral therapeutic cancer vaccines, (iv) evaluate the combination of ONCOS-102 and check point inhibitors (CPIs) in non-responding check point inhibitor (CPI) patients, (v) optimize the Group's manufacturing capabilities to ensure later stage clinical trials and commercial supply (vi) expand its intellectual property profile and (vii) selectively pursue partnerships and collaborations.

The Company's articles of associations are available at www.targovax.com.

Deviations from the recommendation: None

Equity and dividends

The company should have an equity capital at a level appropriate to its objectives, strategy and risk profile.

The board of directors should establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the general meeting. The dividend policy should be disclosed.

The background to any proposal for the board of directors to be given a mandate to approve the distribution of dividends should be explained.

Mandates granted to the board of directors to increase the company's share capital should be restricted to defined purposes. If the general meeting is to consider mandates to the board of directors for the issue of shares for different purposes, each mandate should be considered separately by the meeting. Mandates granted to the board should be limited in time to no later than the date of the next annual general meeting. This should also apply to mandates granted to the board for the company to purchase its own shares.

The Company shall have an equity capital that is suitable for its objectives, strategy and risk profile. Targovax and its subsidiaries' (the "Group's") equity at 31 December 2015 was NOK 425 million, which corresponds to an equity ratio of 78%. The Board of Directors regards the present equity structure as appropriate and adapted to the Company's objectives, strategy and risk profile. Moreover, for biotech companies at a relatively early stage, like Targovax, access to debt is usually restricted and not available outside of government support structures.

The Company's long-term objectives include making distributions of net income in the form of dividends but Targovax has paid no dividend to date. The Group is focusing its resources on the development of its immuno-oncology platforms and does not anticipate paying any cash dividend in the foreseeable future.

Mandates granted to the Board to increase the Company's share capital shall be restricted to defined purposes. If the general meeting is to consider mandates to the Board for the issue of shares for different purposes, each mandate shall be considered separately by the meeting. Mandates granted to the Board shall be limited in time to no later than the date of the next

annual general meeting. This shall also apply to mandates granted to the Board for the Company to purchase its own shares.

In connection with the Company's share incentive arrangements and pursuant to the Section 10-14 of the Norwegian Limited Companies Act, the Board is granted an authorisation to increase the Company's share capital by up to the lower of (a) NOK 500 000 and (b) 10% of the share capital of the Company.

Deviations from the recommendation: None

Equal treatment of shareholders and transactions with close associates

The company should only have one class of shares.

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the board of directors resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Any transactions the company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the company's shares, the company should consider other ways to ensure equal treatment of all shareholders.

In the event of any not immaterial transactions between the company and shareholders, a shareholder's parent company, members of the board of directors, executive personnel or close associates of any such parties, the board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

The company should operate guidelines to ensure that members of the board of directors and executive personnel notify the board if they have any material direct or indirect interest in any transaction entered into by the company.

General information

The Company has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to participate in general meetings. All shareholders shall be treated on an equal basis, unless there is just cause for treating them differently. Shareholders who are registered in the Norwegian Central Securities Depository (VPS) may vote in person or by proxy. Invitations are sent to the shareholders or to the bank/broker where the shareholder's securities account is held.

Share issues without pre-emption rights for existing shareholders

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in the share capital shall be justified. Where the Board resolves to carry out a share issue without pre-emption rights for existing shareholders, then the justification shall be publicly disclosed in an announcement issued in connection with the share issue.

Approval of agreements with shareholders and other closely-related parties

The Board shall arrange for a valuation to be obtained from an independent third party in the event of a not immaterial transaction between the Company and its shareholders, a shareholder's parent company, members of the Board, executive management or closely-related parties of any such parties. An independent valuation shall also be carried out in the event of transactions between companies within the same group where any of the companies involved have minority shareholders.

Members of the Board and executive management must notify the Board if they have a significant, direct or indirect, interest in any transaction carried out by the Company other than by virtue of their position within the Company. The Company has no such significant agreements present.

Transactions with own shares

Any transactions the Company carries out in its own shares shall be carried out either through the Oslo Stock Exchange or at prevailing stock exchange prices if carried out in another way. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders. The Company has not conducted trades in its own shares.

Deviations from the recommendation: None

Freely negotiable shares

The company's shares must, in principle, be freely negotiable. Therefore, no form of restriction on negotiability should be included in a company's articles of association.

The Company's constituting documents do not impose any transfer restrictions on the Company's shares and the Company's shares are freely transferable, subject to any restrictions that may exist under applicable securities laws.

Deviations from the recommendation: None

General meetings

The board of directors should take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the board.

Such steps should include:

- making the notice calling the meeting and the support information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, available on the company's website no later than 21 days prior to the date of the general meeting
- ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting
- setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible
- the board of directors and the person chairing the meeting making appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies
- ensuring that the members of the board of directors and the nomination committee and the auditor are present at the general meeting
- making arrangements to ensure an independent chairman for the general meeting

Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The company should:

- provide information on the procedure for representation at the meeting through a proxy,
- nominate a person who will be available to vote on behalf of shareholders as their proxy
- to the extent possible prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election

Exercising rights

The Board takes reasonable steps to ensure that as many shareholders as possible can exercise their voting rights in the Company's general meetings and that the general meetings are an effective forum for the views of shareholders and the Board.

Among other things, the Board ensures that:

- The notice and the supporting documents and information on the resolutions to be considered at the general meeting are available on the Company's website no later than 21 days prior to the date of the general meeting;
- The resolutions and supporting documentation, if any, are sufficiently detailed to allow shareholders to understand and form a view on matters that are to be considered at the general meeting;
- The registration deadline, if any, for shareholders to participate at the general meeting is set as closely as practically possible to the date of the general meeting and pursuant to the provisions in the articles of association;
- The Board and the person who chairs the meeting shall ensure that the shareholders have the opportunity to vote separately on each candidate nominated for election to the Board and committees, if applicable;
- Representatives of the Board shall be present at general meetings, while representatives of the nomination committee as well as the auditor should be present at general meetings where matters of relevance for such committees/persons are on the agenda;

Participation without being present

Shareholders who cannot be present at the general meeting are given the opportunity to vote using proxies. The Company provides in this respect:

- Information about the procedure for attending via proxy;
- A person who will be available to vote on behalf of a shareholder as their proxy; and
- Proxy form which shall, insofar as this is possible, be formulated in such a manner that the shareholder has the option to vote on each item that is to be addressed and vote for each of the candidates that are nominated for election.

Deviations from the recommendation:

The Company does not have an arrangement in place to ensure independent chairing of the General Meeting. However, the Board will on an ad hoc basis evaluate independent chairing when necessary. Historically it has not been deemed necessary to have independent chair. The largest shareholder is represented in the Board.

Although Targovax encourages the members of the Board and the Nomination Committee to be present at the Annual General Meeting, their attendance is not always possible as the majority of the members live abroad and have competing work and travel commitments.

Nomination Committee

The company should have a nomination committee, and the general meeting should elect the chairperson and members of the nomination committee and should determine the committee's remuneration.

The nomination committee should have contact with shareholders, the board of directors and the company's executive personnel as part of its work on proposing candidates for election to the board.

The nomination committee should be laid down in the company's articles of association. The general meeting should stipulate guidelines for the duties of the nomination committee.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the board of directors and the executive personnel. At least one member of the nomination committee should not be a member of the corporate assembly, committee of representatives or the board. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for re-election to the board. The nomination committee should not include the company's chief executive or any other executive personnel.

The nomination committee's duties are to propose candidates for election to the corporate assembly and the board of directors and to propose the fees to be paid to members of these bodies.

The nomination committee should justify its recommendations.

The company should provide information on the membership of the committee and provide suitable arrangements for shareholders to submit proposals to the committee for candidates for election.

The Company has a Nomination Committee consisting of three members: Johan Christenson (Chair), Anders Tuv and Ludvik Sandnes. The Company's general meeting elects the members and the Chairperson of the Nomination Committee and determines their

remuneration. The current Nomination Committee was elected at the general meeting 14 September 2015.

The Nomination Committee shall contact the Company's two largest shareholders, as registered in the VPS on 1 November each year, and request such shareholders to each propose a candidate to be appointed as a member of the Nomination Committee. If any candidates are proposed by such shareholders, the Nomination Committee shall include those candidates among the three candidates in the recommendation to the general meeting for election of members to the Nomination Committee.

Two out of three of the members of the Nomination Committee are independent of the Company's Board and executive management. Two of the members are also not member of the Board. Neither the CEO nor others of the executive management team are members of the Nomination Committee.

The objectives, duties and functions of the Nomination Committee are described in the Company's "Charter for the Nomination Committee" which were adopted by the general meeting 14 September 2015.

Deviations from the recommendation:

Johan Christenson is currently member of both the Board and the Nomination Committee.

Board; composition and independence

Where a company has a corporate assembly, the composition of the corporate assembly should be determined with a view to ensuring that it represents a broad cross-section of the company's shareholders.

The composition of the board of directors should ensure that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body.

The composition of the board of directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the board should be independent of the company's executive personnel and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s).

The board of directors should not include executive personnel. If the board does include executive personnel, the company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the board, including the use of board committees to help ensure more independent preparation of matters for discussion by the board, cf. Section 9.

The chairman of the board of directors should be elected by the general meeting so long as the Public Companies Act does not require that the chairman must be appointed either by the corporate assembly or by the board of directors as a consequence of an agreement that the company shall not have a corporate assembly.

The term of office for members of the board of directors should not be longer than two years at a time.

The annual report should provide information to illustrate the expertise of the members of the board of directors, and information on their record of attendance at board meetings. In addition, the annual report should identify which members are considered to be independent.

Members of the board of directors should be encouraged to own shares in the company.

The Board of Directors consists of eight members, and currently has the following composition: Jónas Einarsson (Chair), Per Samuelsson, Bente-Lill Romøren, Johan

Christenson, Lars Lund-Roland, Robert Burns, Eva-Lotta Allan and Diane Mellett. The current Board was elected at the general meeting 14 September 2015.

Participation on Board meetings and Board committee meetings during 2015:

Participation in meetings	Board Meetings	Audit Committee	Compensation committee	Governance Committee
Jönas Einarsson	14	2		
Bente-Lill Romøren	13			1
Johan Christenson	7			1
Lars Lund-Roland	7	2	3	
Robert Burns	7		3	
Eva-Lotta Allan	3			1
Diane Mellett	2			1
Per Samuelsson	7	2	3	
Hans Ivar Robinson	7			
Tom Thorsen	6			
Harald Arnet	7			

The composition of the Company's Board is considered to ensure that the shareholders' interests are maintained, and that the Company's need for a diversified and experienced Board with sufficient capacity is in place. The Board members represent a combination of expertise, capabilities and experience from the pharmaceutical industry and finance business.

The composition of the Board ensures that it can act independently of any special interests. All of the shareholder-elected members of the Board are independent of the Company's executive personnel and material business connections. In addition, five of the members of the Board are considered to be independent of the Company's major shareholder(s). A major shareholder means in this connection a shareholder that owns or controls 10% or more of the Company's shares or votes, and independence shall entail that there are no circumstances or relations that may be expected to be able to influence independent assessments of the person in question.

The Board does not include executive personnel. The Chairperson of the Board is elected by the general meeting.

The term of office for members of the Board of Directors are no longer than one year at the time. Members of the Board of Directors may be re-elected.

For further information about the members of the Board, including amount of shares and who are considered independent, see note 11 in the Company's annual report.

Deviations from the recommendation: None

The work of the Board

The board of directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

The board of directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

In order to ensure a more independent consideration of matters of a material character in which the chairman of the board is, or has been, personally involved, the board's consideration of such matters should be chaired by some other member of the board.

The Public Companies Act stipulates that large companies must have an audit committee. The entire board of directors should not act as the company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent.

The board of directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the board who are independent of the company's executive personnel.

The board of directors should provide details in the annual report of any board committees appointed.

The board of directors should evaluate its performance and expertise annually.

General

An annual plan for the Board's work is produced, with particular emphasis on objectives, strategy and implementation. The Board Handbook adopted by the Board 3 September 2015 includes a set of instructions and policies instructions for its own work, as well as for the executive personnel, with particular emphasis on clear allocation of internal responsibilities and duties.

The Board, working with the Corporate Governance Committee, will, starting 2016, carry out an annual evaluation of its own performance and expertise and presents the evaluation report to the Nomination Committee.

The Board of Directors has established three permanent Board Committees, which is described in further detail below. The current members of the committees were elected at the Board meeting 25 September 2015. The members of the committee are appointed for one year. These committees do not pass resolutions, but supervise the work of the company management on behalf of the Board and prepare matters for Board consideration within their specialized areas. In this preparatory process, the committees have the opportunity to draw on company resources, and to seek advice and recommendations from sources outside the company. The Board also establishes ad hoc sub-committees as needed, e.g. research, development, finance, manufacturing and in connection with M&A activities.

Audit Committee

The members of the Audit Committee are Jønås Einarsson, Per Samuelsson and Lars Lund-Roland. The CFO of the Company acts as the committee's secretary. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence, and all the committee members are considered to be independent of Executive Management. The mandate of the committee is set out in the Charter for the Audit Committee and is in brief as follows:

- Prepare for the Board a report describing its supervision of the financial reporting process, including review of implementation of accounting principles and policies.
- Monitor the effectiveness of the Company's internal control and risk management systems, noting any deficiencies and monitor management in remedying any such deficiencies.
- Have regular contact with the external auditor regarding the annual and consolidated accounts.
- Review and monitor the independence of the statutory auditor, ref. the Norwegian Auditors Act, chapter 4 and in particular whether services other than audits delivered by the statutory auditor or the audit firm are a threat against the statutory auditor's independence. The committee supervises implementation of and compliance with the Company's Ethics Code of Conduct and supervises the Company's compliance activities relating to corruption as further described in the provisions herein.

2 meetings were held in 2015.

Compensation committee

The members of the Compensation Committee are Per Samuelsson, Lars Lund-Roland and Robert Burns. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence, and all the committee members are considered to be independent of Executive Management. The mandate of the committee is set out in the Charter for the Compensation Committee and is in brief as follows:

- The role of the committee shall be to oversee the Group's compensation policy for its CEO, Management, employees and consultants, recommend changes to the Group's compensation policy to the Board as and when appropriate and prepare matters for final decision by the Board. Recommendations and proposals for compensation to members of the Board shall be the responsibility of the Nomination Committee.

Three meetings were held in 2015.

Corporate Governance Committee

The members of the Corporate Governance Committee are Johan Christenson, Diane Mellett, Eva-Lotta Allan and Bente-Lill Romøren. The composition of the committee meets the requirements of the Norwegian Code of Practice for Corporate Governance as regards independence, and all the committee members are considered to be independent of Executive Management. The mandate of the committee is set out in the Charter for the Governance Committee and is as follows:

- Develop and review the Groups policies and practices for corporate governance, and annually recommend changes to such policies and practices, if any, to the Board.
- Lead the Board in its annual review of the Board's performance
- Monitor the functioning of the Board committees and sub-groups and make recommendations to the Board with regard to the composition of Board committees and sub-groups.
- Lead the Board in its annual review of the CEO's performance.

One meeting was held in 2015.

Deviations from the recommendation: None

Risk management and internal control

The board of directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's corporate values, ethical guidelines and guidelines for corporate social responsibility.

The board of directors should carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

To manage the Company specific risks and risk inherent in the industry, and to comply with international and national regulations, the Company will, starting 2016, implement a periodic review process to identify, analyze and handle the main risk factors facing the Group. The Audit Committee will periodically receive written reports, highlighting the main risks and proposed actions to address these as well as any significant weaknesses in the internal control regime.

Once a year the Board will review and discuss the Company's risks and the implemented internal control regime.

Risk Management is further described under "Directors' Report", in the Risk section.

Deviations from the recommendation: None

Remuneration of the board

The remuneration of the board of directors should reflect the board's responsibility, expertise, time commitment and the complexity of the company's activities.

The remuneration of the board of directors should not be linked to the company's performance. The company should not grant share options to members of its board.

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board.

Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.

The compensation of the Board and its sub-committees is decided by the Annual General Meeting, based on a recommendation from the Nomination Committee. Separate rates are set for the Board's chair and other members, respectively. Separate rates are also adopted for the Board's sub-committees, with similar differentiation between the Chair and the other members of each committee.

The Board receives its compensation by cash payment. The cash compensation is not linked to the Company's performance or similar. None of the Board members has a pension plan or agreement concerning pay after termination of their office with the company.

Robert Burns, Board member of the Company, was granted share options in Oncos Therapeutics Oy when he was a Board member of that company. By virtue of the combination with Oncos on 2 July 2015, these share options were converted into share options in Targovax ASA. The details of his options are set out in Note 12 to the consolidated financial statements. He is the only Board member with share options in the Company. There are no plans to issue new options to Board members going forward.

In 2016, the Company intends to lay the grounds for an equity program, compensating Board members in part with restricted share units (vesting shares).

Information about all compensation paid to each member of the Board of Directors is presented in Note 11 to the consolidated financial statements.

Deviations from the recommendation: None

Remuneration of executive personnel

The board of directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the annual general meeting. The board of director's statement on the remuneration of executive personnel should be a separate appendix to the agenda for the general meeting. It should also be clear which aspects of the guidelines are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines.

The guidelines for the remuneration of the executive personnel should set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.

Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like should be linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, should incentivise performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

The Board has established guidelines for the remuneration of the executive personnel. Such guidelines set out the main principles applied in determining the salary and other remuneration of the executive personnel and in order to contribute to aligning the interests of shareholders and executive management. These guidelines shall be communicated to the annual general meeting.

Performance-related remuneration of the executive personnel in the form of share option grants, bonus programs or similar are linked to value creation for shareholders over time. Such arrangements' intention is to incentivise performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration

is subject to an absolute limit (while there is no upside limit on granted share options nor on granted share units).

Deviations from the recommendation: None

Information and communication

The board of directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The company should publish an overview each year of the dates for major events such as its annual general meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc.

All information distributed to the company's shareholders should be published on the company's web site at the same time as it is sent to shareholders.

The board of directors should establish guidelines for the company's contact with shareholders other than through general meetings.

General information

The Company shall provide timely and precise information about the Company and its operations to its shareholders, the stock exchange when applicable and the financial markets in general. Such information will be given in the form of annual reports, quarterly reports, press releases, notices to relevant market place exchange as well as investor presentations in accordance with what is deemed most suitable. The Company shall seek to clarify its long-term potential, including strategies, value drivers and risk factors.

As a rule, the Company will promptly disclose inside information (as defined by the Norwegian Securities Trading Act) on an on-going basis.

Information to shareholders

The Company has procedures for establishing discussions with shareholders to enable the Company to develop a balanced understanding of the circumstances and focus of shareholders. Such discussions will always be in compliance with the principle of equal treatment of the Company's shareholders.

Deviations from the recommendation: None

Take-overs

The board of directors should establish guiding principles for how it will act in the event of a take-over bid.

In a bid situation, the company's board of directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. The board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The board of directors should not hinder or obstruct take-over bids for the company's activities or shares.

Any agreement with the bidder that acts to limit the company's ability to arrange other bids for the company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the company and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between the company and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the company's shares, the company's board of directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

If an offer is made for a company's shares, the company's board of directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the board's statement. The board should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the board's statement.

Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

In the event of a take-over process, the Board and the Company's executive management each have an individual responsibility to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board has a particular responsibility in ensuring that the shareholders have sufficient information and time

to form a view on the offer. No take overs have happened after the implementation of the current corporate governance policy.

Deviations from the recommendation: None

Auditor

The auditor should submit the main features of the plan for the audit of the company to the audit committee annually.

The auditor should participate in meetings of the board of directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor should at least once a year present to the audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement.

The board of directors should hold a meeting with the auditor at least once a year at which neither the chief executive nor any other member of the executive management is present.

The board of directors should establish guidelines in respect of the use of the auditor by the company's executive management for services other than the audit.

The board of directors must report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

The auditor attends at least one meeting each year with the Board and the Audit Committee at which the Company's management is not represented. In addition, the auditor participates at meetings of the Board that approves the annual accounts. At least once a year, the Audit Committee will meet with the auditor to consider the auditor's views on the Group's accounting principles, risk areas and internal control procedures.

The Audit Committee receives an annual summary from the external auditor of services other than auditing that have been provided to the Company. During 2016, the Company will establish guidelines for the management's use of the external auditor for services other than auditing.

The auditor's fees, presented in Note 11 to the consolidated financial statements, have stated for the relevant categories of auditing and other services. The auditor's fee is determined at the Annual General Meeting.

Deviations from the recommendation: None

Accounts and Notes – Targovax group

Consolidated statement of profit or loss

<i>(Amounts in NOK thousands except per share data)</i>	Note	2015	2014
Other revenues	7	146	72
Total revenue		146	72
External R&D expenses	8	-25 231	-7 766
Payroll and related expenses	9,10,11,12	-35 431	-5 367
Other operating expenses	13	-29 100	-4 509
Total operating expenses		-89 762	-17 642
Operating profit/ loss (-)		-89 616	-17 570
Financial income	14	2 339	343
Financial expenses	14	-2 608	-420
Net financial items		-269	-77
Loss before income tax		-89 885	-17 646
Income tax expense	15	-1 930	
Loss for the period		-91 816	-17 646
Earnings/ loss (-) per share			
Basic and dilutive earnings/ loss (-) per share	21	-5.06	-2.50

The Notes on pages 61 to 108 are an integral part of these consolidated financial statements.

Consolidated Statement of other comprehensive income

<i>(Amounts in NOK thousands except per share data)</i>	2015	2014
Income / loss (-) for the period	-91 816	-17 646
Items that may be reclassified to profit or loss:		
Exchange differences arising from the translation of foreign operations	21 793	-
Total comprehensive income/ loss (-) for the period	-70 023	-17 646
Total comprehensive income/ loss (-) for the period attributable to owners	-70 023	-17 646

The Notes on pages 61 to 108 are an integral part of these consolidated financial statements.


Consolidated statement of financial position

<i>(Amounts in NOK thousands)</i>	Note	31.12.2015	31.12.2014
ASSETS			
Intangible assets	16	358 070	-
Property, plant, and equipment	17	1 590	150
Total non-current assets		359 659	150
Receivables	19	11 557	4 660
Cash and cash equivalents	20	173 898	62 552
Total current assets		185 455	67 213
TOTAL ASSETS		545 114	67 362
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	21	2 688	943
Share premium reserve		522 502	97 792
Other reserves		6 957	780
Retained earnings		-131 067	-38 841
Translation differences		21 793	
Total equity		422 873	60 673
Non-current liabilities			
Interest-bearing liabilities	22	38 112	-
Deferred tax	15	58 709	-
Total non-current liabilities		96 821	-
Current liabilities			
Accounts payable and other current liabilities	23	6 307	2 564
Accrued public charges	23	1 826	781
Other short-term liabilities	23	17 287	3 344
Total current liabilities		25 420	6 689
TOTAL EQUITY AND LIABILITIES		545 114	67 362

The Notes on pages 61 to 108 are an integral part of these consolidated financial statements.

Oslo, 16 March 2016

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

Consolidated statement of changes in equity

<i>(Amounts in NOK thousands)</i>	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	12			147			147
Issue of ordinary shares - Capital increase	21	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						-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	21	943	234 792				235 735
Transaction costs - Oncos Therapeutics OY	21		-260				-260
Issue of ordinary shares - Capital increase - Private	21	800	199 200				200 000
Transaction costs - Private Placement	21		-9 207				-9 207
Share issuance, employee share options	21	3	185				188
Reclassification of share-based payment Oncos	12			410		-410	
Recognition of share-based payments	21			5 768			5 768
Balance at 31 December 2015		2 688	522 502	6 957	21 793	-131 067	422 873

The Notes on pages 61 to 108 are an integral part of these consolidated financial statements.

Consolidated statement of cashflow

<i>(Amounts in NOK thousands)</i>	Note	2015	2014
Cash flow from operating activities			
Loss before income tax		-89 885	-17 646
<i>Adjustments for:</i>			
Finance income	14	-2 339	-288
Finance expense	14	2 608	81
Share option expense	12	5 717	147
Depreciation	13	148	11
Change in receivables	19	-3 026	1 166
Change in other current liabilities	23	5 887	2 694
Net cash flow from/(used in) operating activities		-80 890	-13 835
Cash flow from investing activities			
Purchases of property, plant, and equipment (PPE)	17	-158	-160
Purchases of intangible assets	16		
Aquisition of subsidiary, net of cash acquired	4	1 313	
Net cash received from/(paid in) investing activities		1 155	-160
Cash flow from financing activities			
Interest received	14	1 009	287
Interest paid	14	-526	
Other finance expense	14		-5
Share issue expense - Aquisition of Oncos OY	21	-260	
Share issue expense - Private Placement	21	-9 207	-4 604
Proceeds from issuance of shares -Private Placement	21	200 000	72 500
Proceeds from exercise of options	21	188	
Net cash generated from financing activities		191 204	68 178
Net increase/(decrease) in cash and cash equivalents		111 468	54 182
Net exchange gain/loss on cash and cash equivalents		-123	
Cash and cash equivalents at beginning of period		62 552	8 370
Cash and cash equivalents at end of period		173 898	62 552

The Notes on pages 61 to 108 are an integral part of these consolidated financial statements.

Notes to the financial statements – Targovax Group

1. General information

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

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.

These financial statements have been approved for issue by the Board of Directors on 16 March 2016, and are subject to approval by the Annual General Meeting in April 2016.

2. Summary of significant accounting principles

The principal accounting policies applied in the preparation of these consolidated financial statements are described in the respective note, or if not, set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group have changed the way of presenting the operating expenses in the Consolidated Statement of profit and loss. This change has been applied for the years 2015 and 2014. The first change consist of the rename of the expense item "Cost of manufacturing for R&D" to "External R&D expenses". This cost item is now in addition to "Cost of manufacturing for R&D" including all external R&D expenses previously included in the cost item "Other operating expenses". The second change is that the cost item "Depreciation" is now included in the cost item "Other operating expenses".

Amounts are in thousand Norwegian kroner unless stated otherwise.

Functional currency

The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rate are recognized continuously in the accounting period.

Presentation currency

The Group's presentation currency is NOK. This is also the parent company's functional currency. The statement of financial position figures of entities with a different functional currency are translated at the exchange rate prevailing at the end of the reporting period for balance sheet items, including goodwill, and the exchange rate at the date of the transaction for profit and loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate. Exchange differences are recognized in other comprehensive income ("OCI").

When investments in foreign subsidiaries are sold, the accumulated translation differences relating to the subsidiary attributable to the equity holders of the parent are recognized in the statement of comprehensive income. When a loss of control, significant influence or joint control is present the accumulated exchange differences related to investments allocated to controlled interests is recognized in profit and loss.

When a partial disposal of a subsidiary (not loss of control) is present the proportionate share of the accumulated exchange differences is allocated to non-controlling interests.

2.1 Basis for preparation of the annual accounts

The consolidated financial statements of Targovax ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as Norwegian disclose requirements listed in the Norwegian Accounting Act.

The consolidated financial statements are based on historical cost.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

2.2 Accounting principles

Foreign exchange

The Group record transactions at initial recognition based on the average month exchange rate in the month of transaction. The date of a transaction is the date on which the transaction first qualifies for recognition in accordance with International Financial Reporting Standards. However, if exchange rates fluctuate significantly, the use of the average rate for a period may be inappropriate and an exchange rate closer to transaction date is used.

Any exchange differences are recognized in profit or loss under financial items in the period in which they arise.

2.3 Adoption of new and revised IFRS standards

Standards and interpretations affecting amounts reported in the current period

All relevant new and revised IFRSs and IFRIC interpretations that are mandatory for periods commencing 1 January 2015 and earlier have been adopted for all periods presented in these financial statements.

Standards and interpretations in issue but not yet adopted

IFRS15 Revenue from Contracts with Customers:

The Group is in the research and development phase and the IFRS 15, will not have an material effect on the financial statements

IFRS 16 Lease :

IFRS 16 replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognize assets and liabilities for most leases, which is a significant change from current requirements. The effective date of the standard is January 1 2019, but it is not yet approved by the EU.

The Group has not made any assessment of any impact IFRS 16 will have on the financial statements.

2.4 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 recognized 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.

2.5 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 recognized 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.

2.6 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 12 months as of 31 December 2015. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3. Important accounting estimates and discretionary assessments

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of intangible assets

Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortization, but is tested when indication, or at least annually for impairment. Acquired intangible assets will not be subject to amortization until market authorization is obtained with the regulatory authorities and the intangible assets are available for use. After

market authorization the intangible assets will be amortized using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Acquired intangible assets related to development of the ONCOS-102 platform are recognized in the financial position, amounting to 358 MNOK. The value is tested for impairment 31 December 2015. Due to the nature of the intangible assets there are uncertainties in estimating the value in the impairment test. This is further described in Note 16.

Estimated value of share-based payments

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The estimated turnover rate for unvested share options is five percent for all share option plans. See Note 12 Share-based compensation.

Deferred tax

The Group cannot render probable future taxable income large enough to justify recognizing a deferred tax asset in the balance sheet. However, this assumption must be continually assessed and changes could lead to a significant asset being recognized in the future. This assumption requires significant management judgment. See Note 15 Taxes.

4. 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.

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 are 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:

<i>(Amounts in NOK/EUR thousands)</i>	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 was 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 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. See Note 22.

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 Therapeutics OY has contributed NOK 146 021 of revenue and NOK 27 469 050 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 NOK 146 021 for the full year 2015 and the loss before tax would have been NOK 44 096 230.

5. Segments

The Group's activities during 2015 have been to continue the development and implementation of a strategy with the aim of developing highly targeted immunotherapy treatments for cancer patients.

There was increased operational activity in Finland and Norway after the acquisition of Oncos Therapeutics OY. The Group's lead product has not yet obtained regulatory approval. For management purposes, the Group is organized as one business unit and the internal reporting is structured in accordance with this. The Group is thus currently organized in one operating segment.

6. Financial instruments and risk management objectives and policies

 The Group's financial assets and liabilities comprise cash in banks, receivables and trade creditors that originate from its operations. All financial assets and liabilities are carried at amortized cost. All financial assets and liabilities are short-term and their carrying value approximates fair value.

The Group does currently not use financial derivatives. The Group is subject to market risk, credit risk and liquidity risk.

Market risk

Interest rate fluctuations could in the future materially and adversely affect the Group's business, financial condition, results of operations, cash flows, time to market and prospects.

Currently, the Group has no long-term debt other than its debt to Tekes. The debt to Tekes carry an annual interest equal to the European Central Bank's steering rate less 3 percentage points, but in no event less than 1%. The current interest is 1% per annum. The Group may in the future be exposed to interest rate risk primarily in relation to any future interest bearing debt issued at floating interest rates and to variations in interest rates of bank deposits. Consequently, movements in interest rates could have a material and adverse effect on the Group's business, financial condition, results of operations, cash flows, time to market and prospects.

The following table demonstrates the Group's sensitivity to a 1 percent change in interest rates on cash and cash equivalents and interest-bearing borrowings at 31 December 2015 and 2014.

(Amounts in NOK thousands)	2015		2014	
	1% point increase	1% point decrease	1% point increase	1% point decrease
Loss before income tax effect	1 358	-1 358	626	-626

Foreign currency risk

Fluctuations in exchange rates could affect the Group's cash flow and financial condition

The Group has currency exposure to both transaction risk and translation risk related to its operating expenses. Transaction risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is different from the Group's presentation currency. The Group undertakes various transactions in foreign currencies and

is consequently exposed to fluctuations in exchange rates. The exposure arises largely from research expenses. The Group is mainly exposed to fluctuations in EUR, GBP and CHF.

The following tables demonstrate the Group's currency rate sensitivity on monetary assets and liabilities in the loss before income tax and other comprehensive income at 31 December 2015 and 2014.

Group's sensitivity to a 10% increase/decrease in EUR against NOK

(Amounts in NOK thousands)	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
Loss before income tax effect	-261	261	-38	38
Other comprehensive income	-3 519	3 519	-	-

Group's sensitivity to a 10% increase/decrease in CHF against NOK

(Amounts in NOK thousands)	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
Loss before income tax effect	-139	139	-108	108
Other comprehensive income	41	-41	-	-

Group's sensitivity to a 10% increase/decrease in GBP against NOK

(Amounts in NOK thousands)	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
Loss before income tax effect	-219	219	-163	163
Other comprehensive income	-10	10	-	-

Credit risk

Credit risk is the risk of a counterparty defaulting. The Group has limited credit risk. Outstanding receivables are limited and primarily government grants receivable from various government agencies. No impairment has been recognized. The carrying value of the assets represents the Group's maximum exposure to credit risk.

Cash at bank:

(Amounts in NOK thousands)	2015		2014		Rating (S&P)
	Amount	In %	Amount	In %	
Nordea Bank Norge ASA	165 868	95 %	62 552	100 %	AA-
Danske Bank Abp	7 148	4 %	-	0 %	A
Credit Suisse AG	881	1 %	-	0 %	A-
Total	173 898	100 %	62 552	100 %	

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)	2015		2014	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	11 557	11 557	4 660	4 660
Cash and cash equivalents	173 898	173 898	62 552	62 552
Total financial assets	185 455	185 455	67 213	67 213
Interest-bearing borrowings	38 112	38 112	-	-
Deferred tax	56 674	56 674	-	-
Accounts payable and other current liabilities	6 307	6 307	2 564	2 564
Accrued public charges	1 826	1 826	781	781
Other short-term liabilities	17 287	17 287	3 344	3 344
Total financial liabilities	120 206	120 206	6 689	6 689

The table 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)*

(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 year 2014 there were no financial instruments carried at fair value to measure.

Liquidity risk

The Group manages liquidity risk by estimating and monitoring cash and liquidity needs on an on-going basis, and maintaining adequate reserves and banking facilities. The Group has sufficient cash available to meet its obligations as at 31 December 2015. All liabilities, other than the debt to Tekes, at year-end are short term and fall due within one year of the reporting date, their carrying value approximates their fair value.


The Group is properly funded for its current activities, but will need new funding for the next phases of the development program. The funding strategy and development strategy are directly connected. There will be no cash flow commitments related to the development program before properly commitments to funding is in place.

The following tables analyses the Group's current and non-current financial liabilities, at 31 December 2015 and 2014 respectively, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the financial undiscounted cash flows.

At 31 December 2015 (Amounts in NOK thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing borrowings	-	220	342	28 917	29 871	59 350
Accounts payable and other current liabilities	-	6 307	-	-	-	6 307
Accrued public charges	-	1 826	-	-	-	1 826
Other short-term liabilities	-	17 287	-	-	-	17 287
	-	25 640	342	28 917	29 871	84 770

At 31 December 2014 (Amounts in NOK thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing borrowings	-	-	-	-	-	-
Accounts payable and other current liabilities	-	2 564	-	-	-	2 564
Accrued public charges	-	781	-	-	-	781
Other short-term liabilities	-	3 344	-	-	-	3 344
	-	6 689	-	-	-	6 689


7. Revenue recognition

 Revenue comprises the fair value of consideration received or due consideration for the sale of services in regular business activities. Revenue is presented net of value added tax. Revenue is recognized when the service is performed.

(Amounts in NOK thousands)	2015	2014
Other revenue	146	72
Total operating revenue	146	72

The Group's products are still in the research and development phase, and it has no revenue from sales of products yet. Other revenue in 2015 arises from a non-core service fee and in 2014 from consulting services carried out in Norway.

8. Research and development expenses

 Expenditure on research activities is recognized as an expense in the period in which it is incurred. Internal development costs related to the Group's development of products are recognized in the income statement in the year incurred unless it meets the asset recognition criteria of IAS 38 "Intangible Assets".

Uncertainties related to the regulatory approval process and other factors generally means that the criteria are not met until the time when the marketing authorization is obtained with the regulatory authorities. This assessment requires significant management discretion and estimations.

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 external research and development expenditures have been expensed:

(Amounts in NOK thousands)	2015	2014
Cost of manufacturing for R&D	9 597	7 735
Patent expenses	651	336
Other	21 874	5 730
Government grants	-6 891	-6 034
Total external research and development expenses	25 231	7 766

The following research and development expenditures have been expensed:

(Amounts in NOK thousands)	2015		2014	
	Total	R&D	Total	R&D
External R&D expenses	25 231	25 231	7 766	7 766
Payroll and related expenses	35 431	13 497	5 367	4 752
Other operating expenses	29 100	384	4 509	2 276
Total	89 762	39 111	17 642	14 794

9. Government grants

 Government grants are recognized at the value of the contributions at the transaction date. Grants are not recognized until it is probable that the conditions attached to the contribution will be achieved. The grant is recognized in the income statement in the same period as the related costs, and are presented net.

Government grants are normally related to either reimbursements of employee costs and classified as a reduction of payroll and related expenses or related to other operating activities and thus classified as a reduction of other operating expenses.

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

<i>(Amounts in NOK thousands)</i>	2015	2014
External R&D expenses	6 891	6 034
Payroll and related expenses	2 225	2 003
Total	9 115	8 038

R&D projects have been approved for SkatteFunn for the period 2011 through 2016. For the full year 2015 the Group has recognized NOK 4 361 331 (2014: 3 236 368) as cost reduction in Payroll and related expenses and Other Operating expenses.

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 (4 712 435) as cost reduction in External R&D expenses and Payroll and related expenses.

The Group has been awarded grants from EU regarding the EU project “ADVance” of EUR 223 363 and the Group has for the full year 2015 recognized NOK 280 859 as cost reduction in External R&D expenses.

The Group has been awarded EUR 1,041,796 for preparations of clinical trials and for business development of a young innovative company and EUR 34,353 in R&D grant, both from Tekes for the years 2009 to 2012. As of 31 December 2015, no obligations remain related to these grants.


The Group has been awarded EUR 15,000 from ELY-keskus (Finland’s Centre for Economic Development, Transport and the Environment) for initiating company activities for the year 2009. As of the date of the Prospectus, no obligations remain related to these grants.

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.

Grants receivables as at 31 December are detailed as followed:

<i>(Amounts in NOK thousands)</i>	2015	2014
Grants Research Council	1 491	512
Grants from SkatteFUNN	4 361	3 236
Total grants	5 852	3 749

10. Payroll and related expenses

 Payroll and related expenses are recognized in the income statement in the period in which the related costs are incurred or services are provided.

Defined contribution plans

Targovax ASA has a defined contribution pension plan as required by the Norwegian Law and as well an applicable contribution pension plan as required by Finnish Law for all employees employed in Targovax OY. These pension plans apply to all employees of Targovax ASA and Targovax OY respectively. Currently, members of the Management team with residence outside Norway and Finland are not part of the company's respective national pension plans. The company pays these executives an annual amount in addition to base salary in lieu of their participation in a company scheme. For defined contribution pension plans, contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate.

Bonus scheme

Bonuses are based on the corporate objectives as well as individual objectives. The Group recognizes a liability and an expense for bonuses based on a short-term incentive plan for employees linked to achievement of specific targets determined by the Board. See note 11.

Total payroll and related expenses for the Group are:

(Amounts in NOK thousands)	2015	2014
Salaries ad bonus	26 154	5 767
Employer's national insurance contributions	3 278	1 080
Share-based compensation ¹ – see Note 12	5 875	147
Pension expenses – defined contribution plan	1 723	257
Other	626	119
Governmental grants	-2 225	-2 003
Total payroll and related expenses	35 431	5 367
<small>1) Share-based compensation has no cash effect.</small>		

Number of employees calculated on a full-time basis as at 31 December	26,5	5,5
Number of employees as at 31 December	27	6

Targovax ASA has a defined contribution pension scheme that complies with requirements of Norwegian occupational pension legislation (OTP). The contribution is expensed when it is accrued. Oncos Therapeutics OY has a defined contribution pension scheme that complies with requirements of Finnish law.

11. Related parties and Management

Targovax Compensation Report

This report describes the compensation programs developed and established during the year for Targovax. It is intended to describe programs for senior executives and to explain how they were compensated in 2015 and will be in 2016. See Note 10 and 12 for accounting principle for payroll and related expenses and equity-settled share-based payments..

Section 1: Introduction by the Chairman of the Compensation Committee

Dear Shareholder,

It is our pleasure to present Targovax Compensation Report for the year 2015 or to be more precise for the second half of 2015, after the formation of our newly merged company, and represent the situation at the end of 2015. We encourage all shareholders to read the entire Compensation Report before attending the Annual General meeting in April 2016.

Last year was a year of transformation for Targovax. Through the merger in July 2015 between Oncos and Targovax, a solid strategic foundation was established. Other significant developments in 2015 were:

- Private placement of NOK 200m in July
- Conception of a new clinical trial program with five new trials starting during 2016 - progressing as planned towards multiple readouts in 2016-18
- Hiring of Gunnar Gårdemyr as new CEO in January and establishment of a new management team during the summer and fall
- Initiation of collaborations with Ludwig Cancer Research/Cancer Research Institute and Sotio a.s. in November

As per end 2015, the initiation of several new trials with ONCOS-102 and TG02 and the ongoing clinical trial in phase II for TG01 have first priority. The outcomes of these trials represent the foundation on which Targovax will build its future value.

Targovax is a clinical stage company with a broad portfolio of opportunities in immuno-oncology. The total compensation philosophy reflects this in that equity incentives play an important role in compensating, motivating, and retaining the work force. Moreover, the Committee believes that it is essential that a substantial part of Management's compensation is aligned with the interests of Targovax' shareholders. The "drive" of the organization and in particular key employees is essential to reach the milestones that will bring Targovax forward and underpin value creation. To make this journey successful, Targovax needs to attract and retain senior and talented individuals that are willing to build lasting careers with the company.

During the year the Compensation Committee has engaged closely with Management in order to ensure a shared view of the compensation policy and discuss and give feedback to the essential tools necessary to fulfil the needs of the company. Long-term incentive has been the most critical tool to ensure this close collaboration. The Compensation Committee is convinced that the suggested compensation policy will support and fulfil the essential needs of sustainable engagement and value creation.

The Committee will continue to measure and monitor the effectiveness of the compensation policies and return with further amendments when needed.

Per Samuelson, Robert Burns, Lars Lund-Roland

Targovax Compensation Committee, 16 March 2016

Section 2 – Compensation Committee activity

The Compensation Committee

The Board of Directors with the assistance of the Compensation Committee determines the compensation policy for Targovax. The Committee is of the view that compensation practices must support the strategic aims of the business and enable the recruitment, motivation, and retention of senior executives as well as key employees. Targovax' practices must take into account the views of regulatory and governance bodies and the expectations of shareholders and the wider employee population. The Board of Directors approves the total compensation of the CEO, which is communicated to the shareholders through the Annual General Meeting. The Board of Directors has final approval of the compensation of the Management team, upon recommendation of the CEO and the Compensation Committee

Committee activity

The committee was established and met in the second half of 2015 after the merger was concluded. The CEO and the CFO attended selected meetings, providing input and assisting with specific queries. They did not participate in conversations regarding their own level of compensation.

The committee covered the following matters during the year:

- Establishment of a post-merger retention tool
- Salary anomaly corrections post-merger
- Establishment of a new option plan, including transformation and modification of old Oncos options into Targovax options
- Recommendation of the new Targovax long term equity strategy and practices
- Approval of the new Targovax long term strategy and the terms and conditions of the proposed option plan
- Review of the total package of the CEO

Together with the Nomination Committee, the Compensation Committee also started work on an equity program for Board members, intended to form part of Board compensation in 2015, 2016 and onward.

*Section 3 – Overview of the compensation policy**The compensation policy*

The compensation policy applied in 2015 is as follows:

Principle	Summary
Market competitive compensation	Targovax offers market competitive reward opportunities on a level to enable to attract, retain, and motivate the talent needed to achieve our vision and business objectives. We balance the need to provide market competitive levels of reward against a desire to be cost-effective when determining reasonable and responsible reward outcomes.
Pay for commitment	An appropriate proportion of the reward package is performance- based for top executives to ensure reward is linked to the achievement of key financial and non-financial objectives with a balance of short and long term performance components but with priority to the long term commitment of key employees.
Transparency	Compensation programs are designed and communicated in a manner that reinforces the linkage between business objectives, our vision, and culture.
Business alignment and consistency	Compensation decisions are made within an international framework to ensure local practices are aligned and consistent with our principles and policies. Our compensation practices will remain flexible enough to evolve as the business priorities of Targovax change.
Shareholder alignment	Our compensation programs will align the interests of all employees in driving value creation for our shareholders. We will share the success of the company wherever possible with our employees.

Element	Applied in 2015	Proposed for 2016
Base salary	✓	✓
Short term incentive for top executives: Annual bonus	✓	✓
Long term incentive for all employees: Share options	✓	✓
Equity as part of Board fee		✓
Benefits	✓	✓
Pension	✓	✓

Section 4 – Compensation policy for each element

The policy for each element of compensation are described below; setting out the policy applied for 2015 and 2016.

Base salary

Base salaries for individual members of the Management team are reviewed annually by the Committee. The salaries are set by taking into consideration the scope of the role, the level of experience of the individual, the geographical location of the role, internal relativity, and external economic environment.

The overall performance rating, employee potential, and current compensation market competitiveness will be combined to assess any proposed salary revision.

Short term incentives: annual bonus

The corporate objectives are set by the Board and determined for and agreed with the CEO. The bonus of the CEO is to a large part determined by achievements of corporate objectives. Other Management Team bonuses are based on the corporate objectives as well as individual objectives.

The level of performance achieved and the amount of bonus to be awarded the member of the Management Team is reviewed by the Committee, in discussion with the CEO, and approved by the Board.

The system of corporate objectives was introduced during 2015 and in place for the fourth quarter. The objectives for both 2015 and 2016 revolve around a) execution of clinical plan b) establishment of collaborations c) investor relations and preparations for a fund raising and d)

post-merger integration.

Maximum bonus percentages	2015 (% of base salary)
Chief Executive Officer	25%
Chief Medical Officer	30%
CFO	20%

The Committee may, at its discretion, review the operation of the annual bonus plan and make recommendations to the Board for approval. Any review will take into account the overall impact of the compensation package, the mix between fixed and variable pay, and the balance between short and long term performance measurement.

With respect to performance in 2015, the following bonuses will be paid in 2016:

Bonus pay-outs	2015 (% of target bonus)
CEO	96%
CMO	94%
CFO	97%

Long term incentives

The Committee's proposal for 2016 long term incentives and the policy applied in 2015 are described below.

Long term incentives proposal for 2016

Eligibility

New employees are eligible for option grants upon joining the company. Employees, will be eligible for an annual option award on a discretionary basis, taking into account overall performance, work responsibility, importance of retention, organization level, and position.

The Board of Directors will exercise discretion as to who will receive an equity award in any given year, based on recommendations made by the Committee.

The Board of Directors intends to grant awards under the plan, alongside the existing option plan, on an annual basis.

The Board members is not eligible to participate.

Grant size and exercise price

The Compensation Committee shall recommend to the Board the size of the overall option grant. The grant schedule will be determined, and reviewed, on the basis of market competitiveness of the equity component of the compensation package and the overall size of the available share pool approved by shareholders.

Share option grants will not be subject to any performance-based vesting conditions.

The exercise price is determined at grant and reflects the share price on the day of the grant.

Long-term incentives in 2015

In 2015, Targovax granted share options under the current share option plan in which all employees are eligible to participate.

The share option grants are not subject to any performance-based vesting conditions. Under the current plan, share options have been granted to employees upon joining the company. Additional grants have been made to senior employees on a discretionary basis taking into account the number of options held, overall performance, competitiveness of terms, work responsibility, importance of retention, organization level, and position.

Employee vesting schedule

Granted share options vest over a four-year period as follows: 25 percent of the options vest on the first anniversary of the grant date; and the remaining 75 percent of the options vest in equal monthly tranches over the next 36 months. Options expire seven years after the grant date.

In the case of termination of employment, the employee will not vest further share options beyond notice of termination. The terminated employee can as a rule exercise vested share options for a maximum period of six months after termination.

Limits

The Board of Targovax seeks authorization from shareholders at the Annual General Meeting to issue a maximum number of share options in total for all grants. This authorization is sought every year and 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 to employees, Board members, and consultants by up to the lower of 5 000 000

shares and 10 % of the share capital. The authorization to increase the share capital covers:

- Already granted options, vested as well as unvested; and
- Planned future grants of options

Going forward this cap will be proposed at approximately 10% of outstanding shares and options (i.e. fully diluted).

At the end of 2015, 2 545 889 share options were outstanding, of which 443 964 were vested and exercisable at year-end 2015. Management Team members and Board of Directors held 1 793 235 share options. 426 152 option were held by other employees and the remaining 326 502 by previous employees, previous Oncos board members and inventors.

By the end of 2015, one Board member who had previously been granted options in legacy Oncos, held 21,235 Targovax options converted from these legacy Oncos options. Targovax has never and does not plan to grant options to Board members.

Pension

Targovax ASA has a defined contribution pension plan as required by the Norwegian Law and as well an applicable contribution pension plan as required by Finnish Law for all employees employed in Targovax OY. These pension plans apply to all employees of Targovax ASA and Targovax OY respectively.

Currently, members of the Management team with residence outside Norway and Finland are not part of the company's respective national pension plans. The company pays these executives an annual amount in addition to base salary in lieu of their participation in a company scheme.

Other benefits

Benefits to the Management team may comprise certain other items such as healthcare, accident insurance, etc. on customary terms.

The type of benefit provision, the level of cover, and the coverage formed part of the 2015 pension and benefit review.

Severance payment

The CEO and the CMO have the right to receive 12 months' salary and benefits in the case of involuntary termination of their employment.

Board of Directors

No Board fee has yet been paid for 2015. The Nominations Committee, however, is reviewing

the compensation for 2015 and 2016. The fees are decided by the Annual General Meeting.

Statement for 2015

The Board of Directors complies with the decision made at Targovax ASA's Ordinary General Meeting on 28 April 2015 to approve of the Board of Directors' statement concerning principles for Management compensation pursuant to Norwegian Public Limited Companies Act section 6–16a. With the exception of the principle outlined in Section 3 above, the principles for 2015 were identical to the principles listed above.

Section 5 – Compensation tables for 2015 and 2014

Remunerations and other benefits in 2015:

(Amounts in NOK thousands)	Fixed annual salary as at 31 Dec. 2015	Earned salaries in 2015	Bonus earned in 2014, paid in 2015	Pension expenses	Benefits in kind in 2015	Total remuneration in 2015
Management:						
Gunnar Gårdemyr, Chief Executive Officer (appointed 12 January 2015)	2 310	2 247			153	2 400
Øystein Soug, Chief Financial Officer (appointed 11 May 2015)	1 400	821		36	6	863
Jon Amund Eriksen, Chief Operating Officer	1 445	1 435		57	218	1 710
Magnus Jäderberg, Chief Medical Officer ¹ (appointed 2 July 2015)	2 588	2 588	270		616	3 474
Antti Vuolanto, Executive Vice President ² (appointed 2 July 2015)	1 234	1 256		313	2	1 571
Tina Madsen, VP Quality Assurance	1 006	896		51	19	967
Peter Skorpil, VP Business Development (appointed 8 April 2015)	940	597		35	9	641
Anne Kirsti Aksnes, VP Clinical Development (appointed 01.01.2016)	1 037	924		53	13	989
Total Management³	11 961	10 764	270	544	1 037	12 615
Total	11 961	10 764	270	544	1 037	12 615

1) Fixed annual salary is the annual salary in GBP multiplied by the average exchange rate throughout the year.

2) Fixed annual salary is the annual salary in EUR multiplied by the average exchange rate throughout the year.

3) The Group's Head of HR is a hired consultant and therefore not included in this table - please refer to the table Related party transactions

There were no remuneration payments to Board members in 2015. NOK 1.3 million, excluding National Insurance Contribution, was recognized as expense in provision for Board

remunerations for the year 2015.

The Group has recognized as expense NOK 1.3 million, excluding National Insurance Contribution, in provision for bonus to Management for 2015

Holding of shares and options for shares as at 31 December 2015:

(Amounts in NOK thousands)	Holding of shares as at 31 Dec. 2015	% ownership	Granted options 2015 ⁵	Holding of options as at 31 Dec. 2015
Board of Directors of Targovax ASA:				
Jónas Einarsson, Chairperson ¹				-
Johan Christenson, Board member ²				-
Per Samuelsson, Board member ²				-
Robert Burns, Board member	29 063	0,11 %	21 235	21 235
Total Board of Directors	29 063	0,11 %	21 235	21 235
Management:				
Gunnar Gårdemyr, Chief Executive Officer (appointed 12 January 2015)	20 000	0,07 %	500 000	500 000
Øystein Soug, Chief Financial Officer (appointed 11 May 2015) ³	20 000	0,07 %	390 000	390 000
Jon Amund Eriksen, Chief Operating Officer ⁴	724 650	2,70 %	160 000	160 000
Magnus Jäderberg, Chief Medical Officer (appointed 2 July 2015)	20 000	0,07 %	390 000	390 000
Antti Vuolanto, Executive Vice President (appointed 2 July 2015)	61 773	0,23 %	181 000	181 000
Tina Madsen, VP Quality Assurance			53 000	53 000
Peter Skorpil, VP Business Development (appointed 8 April 2015)	2 000	0,01 %	45 000	45 000
Anne Kirsti Aksnes, VP Clinical Development (appointed 01.01.2016)			53 000	53 000
Total Management	848 423	3,16 %	1 772 000	1 772 000
Total	877 486	3,26 %	1 793 235	1 793 235

1) Jónas Einarsson, Chairperson of the Board of Directors, is CEO of the Radium Hospital Research Foundation which owns 3 410 589 shares at 31.12.2015

2) Johan Christenson and Per Samuelsson, both Member of the Board, are partners at HealthCap, HealthCap owns 8 488 918 shares at 31.12.2015

3) The shares are held through Abakus Invest AS

4) The shares are held through Timmuno AS

5) Granted options to Robert Burns, Magnus Jäderberg and Antti Vuolanto include conversion of Oncos Therapeutics OY's option program to Targovax option program 2 July 2015

All amounts in the tables exclude National Insurance Contribution. The Group has recognized as expense NOK 4.9 million in share-based compensation to Management in 2015. The Board of Directors or Management have not exercised options for shares in 2015. There are no outstanding loans or guarantees made to the Board of Directors or the Management.

Remunerations and other benefits in 2014:

(Amounts in NOK thousands)	Fixed annual salary as at 31 Dec. 2014	Earned salaries in 2014	Bonus earned in 2013, paid in 2014	Pension expenses	Benefits in kind in 2014	Total remuneration in 2014 ¹
Management:						
Hanne M. D. Kristensen, Chief Executive Officer (terminated 12 January 2015) ²	1 331	1 331		54	1 017	2 401
Jon Amund Eriksen, Chief Operating Officer	1 399	1 388		54	7	1 449
Total Management	2 731	2 720	-	107	1 024	3 850
Total	2 731	2 720	-	107	1 024	3 850

1) There was no remuneration to Board members.

2) The CEO signed an agreement for employee termination 1 December 2014. Her position as CEO was terminated at 12 January 2015, when the new CEO took up his position. Severance payment of 9 months' salary NOK 1.007.514, including social security NOK 1.149.573, was accrued as at 31 December 2014. All share options will be vested at 5 February 2015.

Holding of shares and options for shares at 31 December 2014:

(Amounts in NOK thousands)	Holding of shares as at 31 Dec. 2014	% ownership	Holding of options as at 31 Dec. 2014
Board of Directors of Targovax ASA:			
Hans Ivar Robinsen, Board member ¹	438 657	4,65 %	-
Tom A. Thorsen, Board member ²	392 465	4,16 %	-
Total Board of Directors	831 122	8,81 %	-
Management:			
Hanne M. D. Kristensen, Chief Executive Officer (terminated 12 January 2015)	10 160	0,11 %	50 000
Jon Amund Eriksen, Chief Operating Officer ³	724 650	7,69 %	-
Total Management	734 810	7,79 %	50 000
Total	1 565 932	16,61 %	50 000

1) Indirect ownership through Birk Venture AS

2) Indirect ownership through Algot Invest AS

3) Indirect ownership through Timmuno AS

Management members have not exercised options for shares in 2015 or 2014.

Total outstanding options for shares by range of exercise price at 31 December 2015:

Exercise price in NOK	0.51	21.50	25.00	37.60	Total
Board of Directors of Targovax ASA:					
Robert Burns, Board member				21 235	21 235
Total Board of Directors	-	-	-	21 235	21 235
Management:					
Gunnar Gårdemyr, Chief Executive Officer (appointed 12 January 2015)		300 000	200 000		500 000
Øystein Soug, Chief Financial Officer (appointed 11 May 2015)			390 000		390 000
Jon Amund Eriksen, Chief Operating Officer			160 000		160 000
Magnus Jäderberg, Chief Medical Officer (appointed 2 July 2015)			390 000		390 000
Antti Vuolanto, Executive Vice President (appointed 2 July 2015)	10 258		170 742		181 000
Tina Madsen, VP Quality Assurance		53 000			53 000
Peter Skorpil, VP Business Development (appointed 8 April 2015)			45 000		45 000
Anne Kirsti Aksnes, VP Clinical Development (appointed 01.01.2016)		53 000			53 000
Total Management	10 258	406 000	1 355 742	-	1 772 000
Total	10 258	406 000	1 376 977	21 235	1 793 235

Total outstanding options for shares by range of exercise price at 31 December 2014:

Exercise price in NOK	7,5	Total
Management:		
Hanne M. D. Kristensen, Chief Executive Officer (terminated 12 January 2015) ²	50 000	50 000
Total Management	50 000	50 000

Related party transactions:


(Amounts in NOK thousands)	2015		2014	
	Expensed	Payable at 31 December	Expensed	Payable at 31 December
Knudtzon	392	92	-	-

Targovax entered into a consulting agreement with Knudtzon, a Zurich based company, 26 June 2015. Knudtzon is a related party of Nikolaj Knudtzon, who was elected as a member of Targovax Management Team, Head of HR, in June 2015. Knudtzon is entitled to a consultancy fee of NOK 73,500 per month.

Remuneration to the statutory auditor (excl. VAT):

(Amounts in NOK thousands)	2015	2014
Statutory audit	268	70
Other attestation services	979	
Tax services	39	63
Other services	527	
Total	1 813	133

12. Share-based compensation

 Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, based on the Company's estimate of equity instruments that will eventually vest. The total amount to be expensed is determined by reference to the fair value of the options granted excluding the impact of any non-market service and performance vesting conditions. The grant date fair value of the options granted is recognized as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (vesting period).

The fair value of the options granted is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate.

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are recognized as share capital (nominal value) and share premium reserve.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Changes to the estimates may significantly influence the expense recognized during a period.

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 Company has granted share options under its long term incentive program (the "LTI Option Program"). The Option Program applies to the Management as well to employees in general. Certain former employees and former board members have also been granted options under the LTI Option Program.

Additionally, the Company has in the past granted options as payment for inventions (the "IPR Option Program").

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: 25 percent of the options vest on the first anniversary of the grant date;

and the remaining 75 percent of the options vest in equal monthly tranches over the next 36 months. Options 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 outstanding options in Oncos has been converted to options in Targovax. At the conversions the exercise price, lifetime and quantity have been adjusted. The adjustments have been made so that fair value of the outstanding award is equal to the fair value of the outstanding awards after conversion. Hence, there is no incremental value to be expensed after the conversion. The conversion of the share options entailed no added value.

Certain former employees and former board members have also been granted options under the LTI Option Program as replacement for historical option holdings

As of 31 December 2015 , there are in total 2,545,889 outstanding options for all option programs, 2 450 887 options under the LTI Option Program and 95 002 options under the IPR Option Program.

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 first half of 2015 is 0.84%.

The following table shows the changes in outstanding options in 2015 and 2014:

	2015		2014	
	No. of options	Weighted avg. exercise price (in NOK)	No. of options	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	100 000	7.5	100 000	7.5
Granted during the period ¹	2 090 062	24.09	-	-
Exercised during the period ²	-25 000	7.5	-	-
Conversion 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

1) See Note 11 Related parties and Executive Management for further information on granted share options to Executive Management.

2) Weighted average exercise price on the exercised share options during the period was NOK 7.50 in 2015.

The average fair value of options granted in 2015 was NOK 14.05 per share and NOK 1.48 in 2014. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2015 and 2014 were:

	2015	2014
Volatility (%)	84.59	58.52
Expected life (in years)	3.78	3.57
Risk-free interest rate (%)	0.84	1.49
Share price (NOK)	24.58	143.06
Exercise price (NOK)	24.58	145.54

The expensed share-based compensation, NOK 5.8 million in 2015 and NOK 0.1 million in 2014, includes management estimate for employee turnover. The estimated turnover rate used for the year 2015 was 0%.


At 31 December 2015, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

Exercise price	Outstanding options			Vested options	
	Outstanding options per 31.12.2015	Weighted average remaining contractual life	Weighted average exercise price	Vested options 31.12.2015	Weighted average exercise price
0.51	102 234	6.51	0.51	52 195	0.51
7.50	75 000	1.85	7.50	75 000	7.50
15.04	20 000	6.92	15.04	0	0
21.50	486 000	5.11	21.50	7 810	21.50
25.00	1 761 641	5.64	25.00	216 967	25.00
37.60	101 014	6.25	37.60	91 992	37.60
Total	2 545 889	5.50	23.25	443 964	21.71

At 31 December 2014, the range of exercise prices and weighted average remaining contractual life of the options were as follows:


Exercise price	Outstanding options			Vested options	
	Outstanding options per 31.12.2015	Weighted average remaining contractual life	Weighted average exercise price	Vested options 31.12.2015	Weighted average exercise price
7.50	100 000	2.85	7.50	67 500	7.50
Total	100 000	2.85	7.50	67 500	7.50

13. Other operating expenses

 Expenditure on other operating expenses is recognized in the income statement as an expense in the period in which it is incurred

(Amounts in NOK thousands)	2015	2014
Consultancy, advisors' expenses and IR	21 408	2 314
Travel expenses	1 961	358
Facilities expenses	1 946	541
IT services and IT-related accessories	1 275	387
Conferences and training	295	99
Other	2 068	800
Depreciation	147,715	11
Total other operating expenses	29 100	4 509

14. Financial items

 Financial income consist of interest income and foreign exchange gain. Financial expense mainly consist of interest expense and exchange loss.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial assets consist of receivables and cash. Management determines the classification of its financial assets at initial recognition, and the classification of financial assets depends on the nature and purpose of the financial assets.

Financial liabilities; The Group's financial liabilities consist of accounts payable, other current liabilities and interest-bearing liabilities. Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and other current liabilities are recognized initially at fair value net of directly attributable transaction costs.

After initial recognition, interest-bearing liabilities are subsequently measured at amortized cost using the Effective Interest (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition

and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Financial assets; The Group's financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the asset. The assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership to another party. Financial assets are assessed for indicators of impairment at the end of the reporting period and are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Finance income and expense

All finance income and finance expense, except for foreign exchange income/expense, are related to financial assets and financial liabilities carried at amortized cost.

Financial income are:

(Amounts in NOK thousands)	2015	2014
Interest income on bank deposit	993	274
Interest income on tax repaid	16	14
Currency gain - other operating items	1 329	55
Other finance income		
Total finance income	2 339	343

Financial expenses are:

(Amounts in NOK thousands)	2015	2014
Interest expense - Convertible Loan		75
Interest expense - Tekes Loan	514	
Amortized interest costs - Tekes loan	1 327	
Other interest expense	-2	1
Currency loss - other operating items	765	338
Other finance expense	4	5
Total finance expenses	2 608	420

Financial assets

Currently, all the Group's financial assets are categorized as receivables. The Group does not have any trade receivables and at 31 December 2015 and 2014 the receivables mainly consist of grants receivables and receivables related to VAT. The Group has currently not recognized any non-current financial assets.

15. Tax

 Income tax expense comprise current income tax (tax payable) and deferred tax.

Deferred taxes are recognized based on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets arising from deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available so temporary differences can be utilized.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The tax losses can be carried forward indefinitely in Norway and in Finland it can be carried forward and offset against taxable income in ten years for tax purposes. The Group considers that a deferred tax asset related to accumulated tax losses cannot be recognized in the statement of financial position until the product under development has been approved for marketing by the relevant authorities. However, this assumption is continually assessed and

changes could lead to significant deferred tax asset being recognized in the future. This assumption requires significant management judgment.

The Group is in the research phase of its product development and has incurred significant tax losses related to its operations. Targovax ASA has a total tax loss carried forward of NOK 212 million at 31 December 2015 (31 December 2014: NOK 51 million).

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.

However, the Group has recognized a deferred tax liability on temporary differences on the acquired intangible assets, ref. Note 4, per 31 December 2015 of NOK 59 million.

No current or deferred tax charge or liability has been recognized for 2014.

(Amounts in NOK thousands)	2015	2014
Tax loss carried forward	-212 310	-50 937
Fixed assets	286 299	21
Borrowings	9 449	-
Other current liabilities	-13 305	-
Share options	-79	-224
Temporary differences 31.12	70 054	-51 140
Deferred tax asset (25%)	10 690	-13 808
Deferred tax asset not recognized	48 019	-
Deferred tax liability 31.12	58 709	-

(Amounts in NOK thousands)		
Statutory income tax rate	25 %	0,27
Tax effect of income / loss (-)	-22 423	-4 765
Tax effect permanent differences	-1 878	-2 055
Tax effect different tax rates		-
Change in deferred tax not recognized	22 372	6 820
Tax expense	-1 930	-

16. Intangible assets and impairment test

Intangible assets

Intangible assets that relate to intellectual property rights acquired through licensing or assigning patents and know-how are carried at historical cost less accumulated amortization, where the useful life is finite and the asset is likely to generate economic benefits exceeding costs. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is not subject to amortization, but is when indication, or at least tested annually for impairment. Acquired intangible assets will not be subject to amortization until market authorization is obtained with the regulatory authorities and the intangible assets are available for use. Depreciation on items of Intangible assets will be depreciated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Research costs are recognized in the income statement as incurred. Internal development costs related to the Group's development of products are recognized in the income statement in the year in which they are incurred unless they meet the recognition criteria of IAS 38, "Intangible assets." Uncertainties related to the regulatory approval process and other factors generally means that the criteria are not met until the time when the marketing authorization is obtained with the regulatory authorities.

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Recognized intangible assets in the Group amounts to NOK 358 million as of 31.12.2015. The intangible assets is derived from the acquisition of Oncos Therapeutics OY which was completed in July 2015 (see Note 4).

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. This is the first impairment test since the intangible assets were acquired in July 2015.

The intangible assets are still under development and therefore currently difficult to calculate the value based on a pure discounted cash flow model without significant risk of estimation errors. Hence the valuation is based on an alternative approach. The value is estimated based on combination of a discounted cash flows method and a method based on a hypothetical sales transaction.

The valuation is sensitive to many assumptions. There are significant uncertainties to time to market and the commercial results of biotech products in a development phase such as ONCOS-102. The results from the valuation in this impairment test is limited to ensure sufficient certainty for the recognized amount in the financial statement, and should not be considered as a complete valuation of the full potential of ONCOS-102.

Assumptions

The forthcoming plan for ONCOS-102 is to be tested on four indications:

- Malignant mesotheliom
- Melanoma
- Ovarian
- Advanced Prostate

The impairment test is limited to assumptions on commercialization of these indications.

Other assumptions:

Input to model	Assumptions
Price per treatment	48-65 000 USD dependent on geography
Royalty (% on gross revenues)	20%
Patient base	Currently 25 000 – 175 000 patients growing between 1-3% annually dependent of indication,
Peak penetration	5%-50% dependent of indication
Years to launch	5 years
Years from launch to peak	5 years
Years on peak	5 years (no cash flows estimated after last year at peak)
Probability of success	5% - 10% dependent of indication
Discount factor	15%

An estimate of discounted expenses to assumed time to licensing of the product are deducted the value.

The assumptions are based on professional judgment, but should due the nature of the business be considered with significant uncertainty.

Results and sensitive analysis

The impairment test indicated that the value of the intangible assets is NOK 384 million, which exceeds the book value with NOK 26 million.


The value is however based on key assumptions. If these key assumptions are developing unfavorable going forward it may cause a need for impairment. For example if the discount rate increase to 16%, assumed royalty decrease with 1%-points or assumed probability of success decreases with 1%-.points the intangible assets will be impaired if other assumptions are unchanged.

The table below shows how the recoverable amount of intangible assets will be affected by changes in various assumptions, given that the remainders of the assumptions are constant.

Assumptions	Sensitivity	Changes in recoverable amount
Discount rate	+/- 1% point	-53 MNOK/+59 MNOK
Royalty	+/- 1% point	+31 MNOK/-31 MNOK
Probability of success	+/- 1% point	+89 MNOK/-89 MNOK

The impairment test is most sensitive to ONCOS-102 probability to succeed in the market. If the product does not succeed the valuation will be 0. If the product succeeds the value will increase significantly other assumptions unchanged. Assumed probability to succeed is based on the product's current phase in its development.

17. Property, plant and equipment


 Property, Plant and equipment (non-current assets) are carried at cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes expenditures that are directly attributable to the acquisition of the individual item. Other non-current assets is depreciated on a straight-line basis over the expected useful life of the asset. If significant individual parts of the assets have different useful lives, they are recognized and depreciated separately. Depreciation commences when the assets are ready for their intended use.

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss.

Property, plant and equipment consist of:

- Office equipment acquired during 2015 and 2014. The estimated useful lives of the assets are 5 years, and accumulated depreciation as at 31 December 2015 is NOK 148 thousand and NOK 11 thousands in 2014. No impairment losses have been recognized.
- As part of Oncos's lease of offices in Finland, the landlord agreed to finance the construction works and machinery and equipment purchases made by Oncos in 2010 – 2012 pertaining to the premises (approximately EUR 1.4 million exclusive VAT). The Group is now repaying such investment as part of the rent. The rental agreement may be terminated by the Group in August 2020 and by the landlord in August 2025. Should the lease be terminated by the Group prematurely (i.e. before August 2020), the Group would be liable to pay liquidated damages to the landlord (amounting to 1/150 of the landlord's total investment per month of premature termination).

18. Lease

 A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. The determination of whether an arrangement is (or

contains) a lease is based on the substance of the arrangement at the inception of the lease. To understand if the lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term. Incentives received on negotiating or renewing operating leases are also amortized on a straight-line basis over the lease terms. Any prepaid lease payments are recognized in the balance sheet and amortized over the lease term on a straight-line basis. Any contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.


The Group has not entered into any finance lease arrangements. The only significant agreement classified as operating lease is the rental agreement for premises:

The Group rents premises in Oslo, Norway for office purposes. The rental agreement, initiated at 18 December 2015 and which Targovax ASA was located as at 31 December 2015, expires on 31 December 2020. The agreement is non-cancellable and expected minimum payment in 2016 is NOK 1 568 000 (excl VAT). The Company is in addition to this amount charged for a proportionate share of common variable costs related to building management. Recognized lease expenses for 2015 is NOK 622 301 and for 2014 it was 329 889.

The Group also rents premises in Helsinki, Finland for office and laboratory purposes. The rent is approximately EUR 228,000 per annum (excl VAT). As part of the lease, the landlord agreed to finance the construction works and machinery and equipment purchases made by Oncos in 2010 – 2012 pertaining to the premises (approximately EUR 1.4 million excl VAT). The Group is now repaying such investment as part of the rent. The rental agreement may be terminated by the Group in August 2020 and by the landlord in August 2025. Should the lease be terminated by the Group prematurely (i.e. before August 2020), the Group would be liable to pay liquidated damages to the landlord (amounting to 1/150 of the landlord's total investment per month of premature termination).


There are currently no environmental issues that may affect the Group's utilization of the tangible fixed assets. The Group does not own any assets which are necessary for production.

19. Receivables

 Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's receivables mainly comprise deposit for office leases, prepaid expenses and government grants in the Statement of financial position, see Note 9 for further information of the recognition of grants in the income statement.

(Amounts in NOK thousands)	2015	2014
Receivable government grants	5 871	3 749
VAT receivable	814	549
Other prepayments	4 873	362
Total receivables	11 557	4 660

20. Cash and cash equivalents

 Cash and short-term deposits in the Statement of financial position comprise cash at bank and other short-term highly liquid investments with original maturities of three months or less.

At 31 December 2015 and 2014 the Group only held cash deposits.

(Amounts in NOK thousands)	2015	2014
Bank deposits	173 898	62 552
Total cash and cash equivalents	173 898	62 552

Restricted cash specification:

(Amounts in NOK thousands)	2015	2014
Income tax withholding from employee compensation	1 842	307
Rent deposits	2 429	
Other	242	
Total restricted cash	4 513	307

21. Share capital and shareholder information

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:

	2015	2014
Ordinary shares at beginning of period	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	-
Ordinary shares at end of period	26 883 808	9 429 404

The Group had 193 shareholders as 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 AS	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 Eff. 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

The Group had 88 shareholders as at 31 December 2014:

Shareholder	# shares	%
Radiumhospitalets Forskningsstiftelse	3 410 589	36,2 %
Datum Invest AS	1 162 000	12,3 %
T immuno AS	724 650	7,7 %
Prieta AS	720 000	7,6 %
Birk Venture AS	438 657	4,7 %
Algot Invest AS	392 465	4,2 %
Portia AS	300 000	3,2 %
Trygve Schiørbecks Eff. AS	286 449	3,0 %
Arctic Funds PLC	182 000	1,9 %
Op-Europe Equity Fund	157 869	1,7 %
10 largest shareholders	7 774 679	82,5 %
Other shareholders (78)	1 654 724	17,5 %
Total shareholders	9 429 403	100,0 %

Earnings per share


 Earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated as profit or loss attributable to ordinary shareholders of the Company, adjusted for the effects of all dilutive potential options.

<i>Amounts in NOK thousand</i>	2015	2014
Loss for the period	-89 781	-17 646
Average number of outstanding shares during the period	18 150	7 066
Earnings/ loss per share - basic and diluted	-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.

22. Interest-bearing debt

 Interest-bearing liabilities have been granted by governmental institution with special terms such as a low interest rate (1% currently), hence the loans shall be divided to financial liability and government grant components.

The financial liability shall be initially recognized at fair value and subsequently at amortized cost using effective interest method. The grant component shall be recognized as income on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. The interest rate used to discount the cash flows of the loans should reflect the market rate of interest for the Company at the time when the tranches have been withdrawn. However, as per management, Targovax could only raise finance from the owners or/and from venture capitalists at 8% rate or from the Government at 1% rate. Oncos has access only to these two 'loan markets'. These funding limits also set restrictions to the estimation of the fair market rate that shall be used to discount the cash flows. Further, there is no proper peer group for life science companies, hence there is no comparable yield curve available in Europe. Any other interest rate than in the bridge loan interest will be highly judgmental due to the very tight credit status of the company (cannot provide any collateral). Therefore, the 8% bridge loan interest represents managements best and only estimate of a market rate interest and is used in separating the government grant component from the Tekes loans. The additional interest expense resulting from recognizing the loan by using the effective interest method, is booked as addition to interest expenses in the p&l. The separated government grant is booked as other operating income in the p&l in the period when it has been received.

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 December 2015.

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


Pursuant to IFRS, these loans have a grant element due to the low interest rate they carry. The loan periods of the R&D loans are 10 years, 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. The loans are repaid in equal annual installments during the latter five years. Annual interest is paid yearly 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 not less than 1%.

For the IFRS adjustment of the Tekes loans described above the Company applied the transitional exemptions for first time adopters under IFRS 1. As a consequence, Tekes loans granted prior to 1 January 2013 were not adjusted to fair value. In the purchase price allocation these loans have been adjusted to fair value by discounting future cash flows using the 8 % interest rate, resulting in a fair value adjustment of TNOK 9,283.9 and a carrying amount of TNOK 33,584.0 in the statement of financial position at the acquisition date. Based on the effective interest rate method, an increase in interest expense of TNOK 726,2 has been recorded in the statement of profit or loss and other comprehensive income as at 31 December 2015.

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.

23. Current liabilities

 The Group's financial liabilities consist of trade and accounts payable and other current liabilities as withholding taxes and accrued expenses, and are classified as "current liabilities". Trade and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable and other financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Current liabilities consist of:

(Amounts in NOK thousands)	2015	2014
Trade and other payables	6 307	2 564
Withholding taxes and social security payables	1 826	781
Accruals for expenses	17 287	3 344
Total current liabilities	25 420	6 689

24. Events after the reporting date

During the first two months of 2016 the Group granted 25 000 new share options to other employees (see note 12).

In January 2016, Targovax submitted a trial 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.

In March 2016, Targovax reported encouraging interim survival results from its ongoing phase I/II trial of TG01 in resected pancreatic cancer. In this 19 patients trial, 15 patients provided consent to be followed up of which 14 patients were alive after one year.

Accounts and notes Targovax ASA

Statement of profit or loss - Targovax ASA

<i>(Amounts in NOK thousands except per share data)</i>	Note	FY 2015 2015	FY2014 2014
Other revenues	7	1 152	72
Total revenue		1 152	72
External R&D expenses	8	-19 807	-7 766
Payroll and related expenses	9,10,11,12	-21 973	-5 367
Other operating expenses	13	-22 437	-4 509
Total operating expenses		-64 217	-17 642
Operating profit/ loss (-)		-63 065	-17 570
Financial income	14	2 339	343
Financial expenses	14	-676	-420
Net financial items		1 663	-77
Loss before income tax		-61 402	-17 646
Income tax expense	15		
Loss for the period		-61 402	-17 646
Total income / loss (-) for the period attributable to owners:		-61 402	-17 646
Earnings/ loss (-) per share			
Basic and dilutive earnings/ loss (-) per share	21	-3.38	-2.50

Statement of comprehensive income – Targovax ASA

<i>(Amounts in NOK thousands except per share data)</i>	2015	2014
Income / loss (-) for the period	-61 402	-17 646
Items that may be reclassified to profit or loss:		
Exchange differences arising from the translation of foreign operations	-	-
Total comprehensive income/ loss (-) for the period	-61 402	-17 646
Total comprehensive income/ loss (-) for the period attributable to owners	-61 402	-17 646

The Notes on pages 114 to 140 are an integral part of these financial statements.


Statement of financial position – Targovax ASA

<i>(Amounts in NOK thousands)</i>	Note	31.12.2015	31.12.2014
ASSETS			
Property, plant, and equipment	16	269	150
Investment in subsidiaries	18	273 134	
Total non-current assets		273 403	150
Receivables	19	7 846	4 660
Cash and cash equivalents	20	165 868	62 552
Total current assets		173 715	67 213
TOTAL ASSETS		447 118	67 362
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	21	2 688	943
Share premium reserve		522 502	97 792
Other reserves		5 256	780
Retained earnings		-100 244	-38 841
Total equity		430 203	60 673
Current liabilities			
Accounts payable and other current liabilities	22	4 915	2 564
Accrued public charges	22	1 588	781
Other short-term liabilities	22	10 413	3 344
Total current liabilities		16 915	6 689
TOTAL EQUITY AND LIABILITIES		447 118	67 362

The Notes on pages 114 to 140 are an integral part of these financial statements.

Oslo, 16 March 2016

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

Statement of changes in equity – Targovax ASA

<i>(Amounts in NOK thousands)</i>	Note	Share capital	Share premium	Other reserves	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	12			147		147
Issue of ordinary shares - Capital increase	21	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					-61 402	-61 402
Other comprehensive income/loss, net of tax						
Total comprehensive income for the period					-61 402	-61 402
Issue of ordinary shares - Acquiring Oncos Therapeutics OY	21	943	234 792			235 735
Transaction costs - Oncos Therapeutics OY	21		-260			-260
Issue of ordinary shares - Capital increase - Private	21	800	199 200			200 000
Transaction costs - Private Placement	21		-9 207			-9 207
Share issuance, employee share options	21	3	185			188
Recognition of share-based payments	21			4 476		4 476
Audited balance at 31 December 2015		2 688	522 502	5 256	-100 244	430 203

The Notes on pages 114 to 140 are an integral part of these financial statements.

Statement of cashflow – Targovax ASA

<i>(Amounts in NOK thousands)</i>	Note	2015	2014
Cash flow from operating activities			
Loss before income tax		-61 402	-17 646
<i>Adjustments for:</i>			
Finance income	14	-2 339	-343
Finance expense	14	676	420
Share option expense	12	4 476	147
Depreciation	13	39	11
Change in receivables	19	-3 185	1 166
Change in other current liabilities	22	10 886	2 412
Net cash flow from /(used in) operating activities		-50 849	-13 834
Cash flow from investing activities			
Purchases of property, plant, and equipment (PPE)	16	-158	-160
Investment in subsidiary	18	-37 399	
Net cash received from/(paid in) investing activities		-37 557	-160
Cash flow from financing activities			
Interest received	14	1 009	287
Interest paid	14	-7	-1
Other finance expense	14		-5
Share issue expense - Aquisition of Oncos OY	21	-260	
Share issue expense - Private Placement	21	-9 207	-4 604
Proceeds from issuance of shares -Private Placement	21	200 000	72 500
Proceeds from exercise of options	21	188	
Net cash generated from financing activities		191 722	68 176
Net increase/(decrease) in cash and cash equivalents		103 316	54 182
Cash and cash equivalents at beginning of period		62 552	8 370
Cash and cash equivalents at end of period		165 868	62 552

The Notes on pages 114 to 140 are an integral part of these financial statements.

Notes to the financial statements – Targovax ASA

1. General information

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

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

The Company is targeting complementary approaches to cancer immunotherapy: A peptide 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.

These financial statements have been approved for issue by the Board of Directors on 16 March 2016, and are subject to approval by the Annual General Meeting in April 2016.

2. Summary of significant accounting principles/Critical accounting estimates and judgments

The principal accounting policies applied in the preparation of these financial statements are described in the respective note, or if not, set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company have changed the way of presenting the operating expenses in the Statement of profit and loss. This change has been applied for the years 2015 and 2014. The first change consist of the rename of the expense item "Cost of manufacturing for R&D" to "External R&D expenses". This cost item is now in addition to "Cost of manufacturing for R&D" including all external R&D expenses previously included in the cost item "Other operating expenses". The second change is that the cost item "Depreciation" is now included in the cost item "Other operating expenses".

Amounts are in thousand Norwegian kroner unless stated otherwise.

Functional currency

The functional currency of the Company is NOK. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. At the end of each reporting period foreign currency monetary items are translated using the closing rate, non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction and non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rate are recognized continuously in the accounting period.

Presentation currency

The Company's presentation currency is NOK. This is also the parent company's functional currency.

2.1 Basis for preparation of the annual accounts

The financial statements of Targovax ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as Norwegian disclose requirements listed in the Norwegian Accounting Act.

The financial statements are based on historical cost.

The financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

2.2 Accounting principles

Foreign exchange

The Company record transactions at initial recognition based on the average month exchange rate in the month of transaction. The date of a transaction is the date on which the transaction first qualifies for recognition in accordance with International Financial Reporting Standards. However, if exchange rates fluctuate significantly, the use of the average rate for a period may be inappropriate and an exchange rate closer to transaction date is used.

Any exchange differences are recognized in profit or loss under financial items in the period in which they arise.

2.3 Adoption of new and revised IFRS standards

2.3.1 Standards and Interpretations affecting amounts reported in the current period

All relevant new and revised IFRSs and IFRIC interpretations that are mandatory for periods commencing 1 January 2015 and earlier have been adopted for all periods presented in these financial statements.

2.3.2 Standards and Interpretations in issue but not yet adopted

IFRS15 Revenue from Contracts with Customers:

The Company is in the research and development phase and the IFRS 15, will not have a material effect on the financial statements

IFRS 16 Lease:

IFRS 16 replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognize assets and liabilities for most leases, which is a significant change from current requirements. The effective date of the standard is January 1 2019, but it is not yet approved by the EU.

The Company has not made any assessment of any impact IFRS 16 will have on the financial statements.

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 Company has available financial resources sufficient for the planned activities in the next 12 months as of 31 December 2015. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

3. Important accounting estimates and discretionary assessments

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated

and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimated value of share-based payments

At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The estimated turnover rate for unvested share options is five percent for all share option plans. See Note 12 Share-based compensation.

Deferred tax

The Company cannot render probable future taxable income large enough to justify recognizing a deferred tax asset in the balance sheet. However, this assumption must be continually assessed and changes could lead to a significant asset being recognized in the future. This assumption requires significant management judgment. See Note 15 Taxes.

4. 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 was a clinical-stage biotechnology company, which focused 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 was 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 value driver for Oncos was 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.

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:

<i>(Amounts in NOK/EUR thousands)</i>	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 commercialization 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.

5. Segments

The Company's activities during 2015 have been to continue the development and implementation of a strategy with the aim of developing highly targeted immunotherapy treatments for cancer patients

The Company's lead product has not yet obtained regulatory approval. For management purposes, the Company is organized as one business unit and the internal reporting is structured in accordance with this. The Company is thus currently organized in one operating segment.

6. Financial instruments and risk management objectives and policies

 The Company's financial assets and liabilities comprise cash in banks, receivables borrowings and trade creditors that originate from its operations. All financial assets and liabilities are carried at amortized cost. All financial assets and liabilities are short-term and their carrying value approximates fair value.

The Company does currently not use financial derivatives. The Company is subject to market risk, credit risk and liquidity risk.

Market risk

Interest rate fluctuations could in the future materially and adversely affect the Company's business, financial condition, results of operations, cash flows, time to market and prospects.

Currently, the Company has no long-term debt. The Company may in the future be exposed to interest rate risk primarily in relation to any future interest bearing debt issued at floating

interest rates and to variations in interest rates of bank deposits. Consequently, movements in interest rates could have a material and adverse effect on the Company's business, financial condition, results of operations, cash flows, time to market and prospects.

(Amounts in NOK thousands)	2015		2014	
	1% point increase	1% point decrease	1% point increase	1% point decrease
Loss before income tax effect	1 659	-1 659	626	-626

Foreign currency risk

Fluctuations in exchange rates could affect the Company's cash flow and financial condition. The Company has currency exposure to both transaction risk and translation risk related to its operating expenses. Transaction risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company undertakes various transactions in foreign currencies and is consequently exposed to fluctuations in exchange rates. The exposure arises largely from research expenses. The Company is mainly exposed to fluctuations in EUR, GBP and CHF. Translation risk arises due to the conversion of amounts denominated in foreign currencies to NOK, the Company's functional currency.

The following tables demonstrate the Company's currency rate sensitivity on financial assets and liabilities at 31 December 2015 and 2014.

The Company's sensitivity to a 10% increase/decrease in EUR against NOK

(Amounts in NOK thousands)	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
Loss before income tax effect	-261	261	-38	38

The Company's sensitivity to a 10% increase/decrease in CHF against NOK

(Amounts in NOK thousands)	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
Loss before income tax effect	-139	139	-108	108

The Company's sensitivity to a 10% increase/decrease in GBP against NOK

(Amounts in NOK thousands)	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
Loss before income tax effect	-219	219	-163	163

Credit risk

Credit risk is the risk of a counterparty defaulting. The Company has limited credit risk. Outstanding receivables are limited and primarily government grants receivable from various government agencies. No impairment has been recognized. The carrying value of the assets represents the Company's maximum exposure to credit risk.

The credit quality of financial assets can be assessed by reference to credit ratings.

Cash at bank:

(Amounts in NOK thousands)	2015		2014		Rating (S&P)
	Amount	In %	Amount	In %	
Nordea Bank Norge ASA	165 868	100 %	62 552	100 %	AA-
Total	165 868	100 %	62 552	100 %	

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)	2015		2014	
	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	7 846	7 846	4 660	4 660
Cash and cash equivalents	165 868	165 868	62 552	62 552
Total financial assets	173 715	173 715	67 213	67 213
Accounts payable and other current liabilities	4 915	4 915	2 564	2 564
Accrued public charges	1 588	1 588	781	781
Other short-term liabilities	10 413	10 413	3 344	3 344
Total financial liabilities	16 915	16 915	6 689	6 689

At the end of year 2015 and 2014 there were no financial instruments carried at fair value to measure.

Liquidity risk

The Company manages liquidity risk by estimating and monitoring cash and liquidity needs on an on-going basis, and maintaining adequate reserves and banking facilities. The Company has sufficient cash available to meet its obligations as at 31 December 2015. All liabilities at year-end are short term and fall due within one year of the reporting date, their carrying value approximates their fair value.

The Company is properly funded for its current activities, but will need new funding for the next phases of the development program. The funding strategy and development strategy are


directly connected. There will be no cash flow commitments related to the development program before properly commitments to funding is in place.

The following tables analyses the Group's current and non-current financial liabilities, at 31 December 2015 and 2014 respectively, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the financial undiscounted cash flows.

At 31 December 2015 (Amounts in NOK thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Accounts payable and other current liabilities	-	4 915	-	-	-	4 915
Accrued public charges	-	1 588	-	-	-	1 588
Other short-term liabilities	-	10 413	-	-	-	10 413
	-	16 915	-	-	-	16 915

At 31 December 2014 (Amounts in NOK thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Accounts payable and other current liabilities	-	2 564	-	-	-	2 564
Accrued public charges	-	781	-	-	-	781
Other short-term liabilities	-	3 344	-	-	-	3 344
	-	6 689	-	-	-	6 689


7. Revenue recognition

 Revenue comprises the fair value of consideration received or due consideration for the sale of services in regular business activities. Revenue is presented net of value added tax. Revenue is recognized when the service is performed.

(Amounts in NOK thousands)	2015	2014
Revenue from subsidiary	1 152	-
Other revenue	-	72
Total operating revenue	1 152	72

The Company's products are still in the research and development phase, and it has no revenue from sales of products yet. Other revenue in 2014 from consulting services carried out in Norway.

8. External research and development expenses

 Expenditure on research activities is recognized as an expense in the period in which it is incurred. Internal development costs related to the Company's development of products are recognized in the income statement in the year incurred unless it meets the asset recognition criteria of IAS 38 "Intangible Assets".

Uncertainties related to the regulatory approval process and other factors generally means that the criteria are not met until the time when the marketing authorization is obtained with the regulatory authorities. This assessment requires significant management discretion and estimations.

The Company 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 external research and development expenditures have been expensed:

(Amounts in NOK thousands)	2015	2014
Cost of manufacturing for R&D	4 191	7 735
Patent expenses	352	336
Other	21 874	5 730
Government grants	-6 610	-6 034
Total external research and development expenses	19 807	7 766

The following research and development expenditures have been expensed:

(Amounts in NOK thousands)	2015		2014	
	Total	R&D	Total	R&D
External R&D expenses	19 807	19 807	7 766	7 766
Payroll and related expenses	21 973	8 936	5 367	4 752
Other operating expenses	22 437	384	4 509	2 276
Total	64 217	29 127	17 642	14 794

9. Government grants

 Government grants are recognized at the value of the contributions at the transaction date. Grants are not recognized until it is probable that the conditions attached to the

contribution will be achieved. The grant is recognized in the income statement in the same period as the related costs, and are presented net.

Government grants are normally related to either reimbursements of employee costs and classified as a reduction of payroll and related expenses or related to other operating activities and thus classified as a reduction of other operating expenses.

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

<i>(Amounts in NOK thousands)</i>	2015	2014
External R&D expenses	6 610	6 034
Payroll and related expenses	2 225	2 003
Total	8 834	8 038


R&D projects have been approved for SkatteFunn for the period 2011 through 2016. For the full year 2015 the Company has recognized NOK 4 361 331 (2014: 3 236 368) as cost reduction in Payroll and related expenses and Other Operating expenses.

For the period 2013 through 2016, the Company 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 Company has recognized NOK 4 473 000 (4 712 435) as cost reduction in External R&D expenses and Payroll and related expenses.

Grants receivables as at 31 December are detailed as followed:

<i>(Amounts in NOK thousands)</i>	2015	2014
Grants Research Council	1 491	512
Grants from SkatteFUNN	4 361	3 236
Total grants	5 852	3 749

10. Payroll and related expenses

 Payroll and related expenses are recognized in the income statement in the period in which the related costs are incurred or services are provided.

Defined contribution plans

Targovax ASA has a defined contribution pension plan as required by the Norwegian Law. This pension plan apply to all employees of Targovax ASA. Currently, members of the Management team with residence outside Norway are not part of the company's respective national pension plans. The company pays these executives an annual amount in addition to base salary in lieu of their participation in a company scheme. For defined contribution pension plans, contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate.

Bonus scheme

Bonuses are based on the corporate objectives as well as individual objectives. The Company recognizes a liability and an expense for bonuses based on a short-term incentive plan for employees linked to achievement of specific targets determined by the Board. See note 11.

Total payroll and related expenses for the Company are:

(Amounts in NOK thousands)	2015	2014
Salaries ad bonus	15 226	5 767
Employer's national insurance contributions	2 247	1 080
Share-based compensation ¹ – see Note 12	4 476	147
Pension expenses – defined contribution plan	629	257
Other	1 619	119
Governmental grants	-2 225	-2 003
Total payroll and related expenses	21 973	5 367
<small>1) Share-based compensation has no cash effect.</small>		

Number of employees calculated on a full-time basis as at 31 December	15,5	5,5
Number of employees as at 31 December	16	6

Targovax ASA has a defined contribution pension scheme that complies with requirements of Norwegian occupational pension legislation (OTP). The contribution is expensed when it is accrued.

11. Related parties and Management

As the only difference between the Group and the Company concerning Executive management remunerations is that Antti Vuolanto, EVP, and Magnus Jäderberg, CMO, are

employed by Targovax ASA's subsidiaries and not the Company, please see Note 11 Related parties and Executive Management in the Group's consolidated financial statements. See Note 10 and 12 for accounting principle for payroll and related expenses and equity-settled share-based payments in the Company's financial statements.

Related party transactions:


(Amounts in NOK thousands)	2015		2014	
	Revenue/(expense)	Receivable/(payable at 31 December)	Revenue/(expense)	Receivable/(payable at 31 December)
Knudtzon	392	92	-	-
Subsidiaries:				
– expense related to subsidiaries	-835	-	-	-
– receivables related to subsidiaries		317	-	-
– revenue related to subsidiaries	1 152		-	-

Targovax entered into a consulting agreement with Knudtzon, a Zurich based company, 26 June 2015. Knudtzon is a related party of Nikolaj Knudtzon, who was elected as a member of Targovax Management Team, Head of HR, in June 2015. Knudtzon is entitled to a consultancy fee of NOK 73,500 per month.

Remuneration to the statutory auditor (excl. VAT):

(Amounts in NOK thousands)	2015	2014
Statutory audit	160	70
Other attestation services	979	
Tax services	40	63
Other services	527	
Total	1 706	133

12. Share-based compensation

 Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense, based on the Company's estimate of equity instruments that will eventually vest. The total amount to be expensed is determined by reference to the fair value of the options granted excluding the impact of any non-market service and performance vesting conditions. The grant date fair value of the options granted is recognized as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options (vesting period).

The fair value of the options granted is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate.

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are recognized as share capital (nominal value) and share premium reserve.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Changes to the estimates may significantly influence the expense recognized during a period.

At the Extraordinary general meeting in September 2015 the Board was authorized to increase the Company'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 Company has granted share options under its long term incentive program (the "LTI Option Program"). The Option Program applies to the Management as well to employees in general. Certain former employees and former board members have also been granted options under the LTI Option Program.

Additionally, the Company has in the past granted options as payment for inventions (the "IPR Option Program").

The Company 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: 25 percent of the options vest on the first anniversary of the grant date; and the remaining 75 percent of the options vest in equal monthly tranches over the next 36 months. Options 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 outstanding options in Oncos has been converted to options in Targovax. At the conversions the exercise price, lifetime and quantity have been adjusted. The adjustments have been made so that fair value of the outstanding award is equal to the fair value of the outstanding awards after conversion. Hence, there is no incremental value to be expensed after the conversion. The conversion of the share options entailed no added value. 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.

As of 31 December 2015, there are in total 2,545,889 outstanding options for all option programs, 2 450 887 options under the LTI Option Program and 95 002 options under the IPR Option Program.

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 first half of 2015 is 0.84%.

The following table shows the changes in outstanding options in 2015 and 2014:

	2015		2014	
	No. of options	Weighted avg. exercise price (in NOK)	No. of options	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	100 000	7.5	100 000	7.5
Granted during the period ¹	2 090 062	24.09	-	-
Exercised during the period ²	-25 000	7.5	-	-
Conversion 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

- 1) See Note 11 Related parties and Executive Management for further information on granted share options to Executive Management.
- 2) Weighted average exercise price on the exercised share options during the period was NOK 7.50 in 2015.

The average fair value of options granted in 2015 was NOK 14.93 per share, no options was granted in 2014. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2015 and 2014 were:

	2015	2014
Volatility (%)	84.59	58.52
Expected life (in years)	3.78	3.57
Risk-free interest rate (%)	0.84	1.49
Share price (NOK)	24.58	143.06
Exercise price (NOK)	24.58	145.54

The expensed share-based compensation of NOK 4.5 million in 2015 and the NOK 1.6 million share-based compensation allocated to the investment in Targovax OY in 2015 includes management estimate for employee turnover, hence totaling NOK 6.1 million share-based compensation in the Company.

The estimated turnover rate used for the year 2015 was 0 %.


At 31 December 2015, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

Exercise price	Outstanding options			Vested options	
	Outstanding options per 31.12.2015	Weighted average remaining contractual life	Weighted average exercise price	Vested options 31.12.2015	Weighted average exercise price
7.50	75 000	1.85	7.50	75 000	7.50
15.04	20 000	6.92	15.04	0	0
21.50	479 000	5.09	21.50	7 810	21.50
25.00	877 000	5.94	25.00	0	0
Total	1 451 000	5.46	22.80	82 810	8.82

At 31 December 2014, the range of exercise prices and weighted average remaining contractual life of the options were as follows:


Exercise price	Outstanding options			Vested options	
	Outstanding options per 31.12.2015	Weighted average remaining contractual life	Weighted average exercise price	Vested options 31.12.2015	Weighted average exercise price
7.50	100 000	2.85	7.50	67 500	7.50
Total	100 000	2.85	7.50	67 500	7.50

13. Other operating expenses

 Expenditure on other operating expenses is recognized in the income statement as an expense in the period in which it is incurred

(Amounts in NOK thousands)	2015	2014
Consultancy, advisors' expenses and IR	17 338	2 314
Travel expenses	1 311	358
Facilities expenses	867	541
IT services and IT-related accessories	990	387
Conferences and training	198	99
Other	1 695	800
Depreciation	39	11
Total other operating expenses	22 437	4 509

14. Financial items

 Financial income consist of interest income and foreign exchange gain. Financial expense mainly consist of interest expense and exchange loss.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Company's financial assets consist of receivables and cash. Management determines the classification of its financial assets at initial recognition, and the classification of financial assets depends on the nature and purpose of the financial assets.

Financial liabilities; The Company's financial liabilities consist of accounts payable and other current liabilities. Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and other financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Equity instruments; An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a company are recognized at the proceeds received, net of any issue costs. Transaction costs directly attributable to the issue of equity are recognized directly in equity, net of tax

Financial assets; The Company's financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the asset. The assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership to another party. Financial assets are assessed for indicators of impairment at the end of the reporting period and are considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Finance income and expense

All finance income and finance expense, except for foreign exchange income/expense, are related to financial assets and financial liabilities carried at amortized cost.

Financial income are:

(Amounts in NOK thousands)	2015	2014
Interest income on bank deposit	993	274
Interest income on tax repaid	16	14
Currency gain - other operating items	1 329	55
Other finance income		
Total finance income	2 339	343


Financial expenses are:

(Amounts in NOK thousands)	2015	2014
Interest expense - Convertible Loan		75
Other interest expense	7	1
Currency loss - other operating items	668	338
Other finance expense		5
Total finance expenses	676	420

Financial assets

Currently, all the Company's financial assets are categorized as receivables. The Company does not have any trade receivables and at 31 December 2015 and 2014 the receivables mainly consist of grants receivables and receivables related to VAT. The Company has currently not recognized any non-current financial assets.

15. Tax

 Income tax expense comprise current income tax (tax payable) and deferred tax.

Deferred taxes are recognized based on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets arising from deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available so temporary differences can be utilized.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The tax losses can be carried forward indefinitely. The Company considers that a deferred tax asset related to accumulated tax losses cannot be recognized in the statement of financial position until the product under development has been approved for marketing by the relevant authorities. However, this assumption is continually assessed and changes could lead to significant deferred tax asset being recognized in the future. This assumption requires significant management judgment.


The Company is in the research phase of its product development and has incurred significant tax losses related to its operations. Targovax ASA has a total tax loss carried forward of NOK 119,626,840 at 31 December 2015 (31 December 2014: NOK 50,937,285).

No current or deferred tax charge or liability has been recognized for 2015.

(Amounts in NOK thousands)	2015	2014
Tax loss carried forward	-119 627	-50 937
Fixed assets	68	21
Share options	-79	-224
Temporary differences 31.12	-119 638	-51 140
Deferred tax asset (25%)	-29 910	-13 808

(Amounts in NOK thousands)		
Statutory income tax rate	27 %	27 %
Tax effect of income / loss (-)	-16 664	-4 765
Tax effect permanent differences	-1 871	-2 055
Change in deferred tax not recognized	18 535	6 820
Tax expense	-	-

16. Property, plant and equipment


 Property, Plant and equipment (non-current assets) are carried at cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes expenditures that are directly attributable to the acquisition of the individual item. Other non-current assets is depreciated on a straight-line basis over the expected useful life of the asset. If significant individual parts of the assets have different useful lives, they are recognized and depreciated separately. Depreciation commences when the assets are ready for their intended use.

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss.

Property, plant and equipment consist of Office equipment acquired during 2015 and 2014. The estimated useful lives of the assets are 5 years, and accumulated depreciation as at 31 December 2015 is NOK 148 thousand and NOK 11 thousands in 2014. No impairment losses has been recognized.

No development costs have been recognized as assets as per 31 December 2015.

17. Lease

 A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. To understand if the lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term. Incentives received on negotiating or renewing operating leases are also amortized on a straight-line basis over the lease terms. Any prepaid lease payments are recognized in the balance sheet and amortized over the lease term on a straight-line basis. Any contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

The Company has not entered into any finance lease arrangements. The only significant agreement classified as operating lease is the rental agreement for premises:


The Company rents premises in Oslo, Norway for office purposes. The rental agreement, initiated at 18 December 2015 and which Targovax ASA was located as at 31 December 2015, expires on 31 December 2020. The agreement is non-cancellable and expected minimum payment in 2016 is NOK 1 568 000 (excl VAT). The Company is in addition to this amount charged for a proportionate share of common variable costs related to building

management. Recognized lease expenses for 2015 is NOK 622 301 and for 2014 it was 329 889.

There are currently no environmental issues that may affect the Company's utilization of the tangible fixed assets.


The Company does not own any assets which are necessary for production.

18. Investments in subsidiaries

 Shares and investments intended for long-term ownership are reported in the Company's statement of financial position as non-current assets and valued at cost. The Company determines at each reporting date whether there is any objective indication that the investment in the subsidiary is impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the subsidiary and its carrying value and recognizes the amount in the income statement. Any realized and unrealized losses and any write downs relating to these investments will be included in the Company's statement of comprehensive income as financial items.


(Amounts in thousands)	Location	Year incorp.	Share capital	Ow nership
Subsidiary:				
Targovax OY (prev. Oncos Therapeutics OY)	Helsinki, Finland	2015	EUR 8 211	100 %
– Oncos Therapeutics AG	Meggen, Sw itzerland	2015	CHF 100	100 %

19. Receivables

 Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's receivables mainly comprise deposit for office leases, prepaid expenses and government grants in the Statement of financial position, see Note 9 for further information of the recognition of grants in the income statement.

(Amounts in NOK thousands)	2015	2014
Receivable government grants	5 871	3 749
Receivable from subsidiaries	317	-
VAT receivable	814	549
Other prepayments	845	362
Total receivables	7 846	4 660

20. Cash and cash equivalents

 Cash and short-term deposits in the Statement of financial position comprise cash at bank and other short-term highly liquid investments with original maturities of three months or less.

At 31 December 2015 and 2014 the Company only held cash deposits.

(Amounts in NOK thousands)	2015	2014
Bank deposits	165 868	62 552
Total cash and cash equivalents	165 868	62 552

Restricted cash specification:

(Amounts in NOK thousands)	2015	2014
Income tax withholding from employee compensation	1 842	307
Rent deposits	40	-
Total restricted cash	1 882	307

21. Share capital and shareholder information

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:

	2015	2014
Ordinary shares at beginning of period	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	-
Ordinary shares at end of period	26 883 808	9 429 404

The Company had 193 shareholders as 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 AS	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 Eff. 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

The Company had 88 shareholders as at 31 December 2014:

Shareholder	# shares	%
Radiumhospitalets Forskningsstiftelse	3 410 589	36,2 %
Datum Invest AS	1 162 000	12,3 %
T immuno AS	724 650	7,7 %
Prieta AS	720 000	7,6 %
Birk Venture AS	438 657	4,7 %
Algot Invest AS	392 465	4,2 %
Portia AS	300 000	3,2 %
Trygve Schiørbecks Eff. AS	286 449	3,0 %
Arctic Funds PLC	182 000	1,9 %
Op-Europe Equity Fund	157 869	1,7 %
10 largest shareholders	7 774 679	82,5 %
Other shareholders (78)	1 654 724	17,5 %
Total shareholders	9 429 403	100,0 %

Earnings per share


 Earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated as profit or loss attributable to ordinary shareholders of the Company, adjusted for the effects of all dilutive potential options.

<i>Amounts in NOK thousand</i>	2015	2014
Loss for the period	-61 402	-17 646
Average number of outstanding shares during the period	18 150	7 066
Earnings/ loss per share - basic and diluted	-3,38	-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 Company is currently loss-making, an increase in the average number of shares would have anti-dilutive effects.

22. Current liabilities

 The Company's financial liabilities consist of trade and accounts payable and other current liabilities as withholding taxes and accrued expenses, and are classified as "current liabilities". Trade and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Accounts payable and other financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Current liabilities consist of:

(Amounts in NOK thousands)	2015	2014
Trade and other payables	4 915	2 564
Withholding taxes and social security payables	1 588	781
Accruals for expenses	10 413	3 344
Total current liabilities	16 915	6 689

23. Events after the reporting date

During the first two months of 2016 the Company granted 25 000 new share options to other employees in the Company and its subsidiaries (see note 12).

In January 2016, Targovax submitted a trial 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.

In March 2016, Targovax reported encouraging interim survival results from its ongoing phase I/II trial of TG01 in resected pancreatic cancer. In this 19 patients trial, 15 patients provided consent to be followed up of which 14 patients were alive after one year.

Auditor's report



Statsautoriserte revisorer
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To the Annual Shareholders' Meeting of
Targovax ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Targovax ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2015, the statements of profit or loss, other comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.



Opinion

In our opinion, the financial statements of Targovax ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, March 29 2016
ERNST & YOUNG AS



Tommy Romskaug
State Authorised Public Accountant (Norway)

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