TARGOVAX ANNUAL REPORT 2018

Activating the patient's immune system to fight cancer

targovax

Targovax is a clinical stage biotechnology company developing immune activators to target hard-to-treat solid tumors

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Immuno-oncology is currently one of the fastest growing therapeutic fields in medicine

About Targovax

Targovax (OSE:TRVX) is a clinical stage biotechnology company developing immune activators to target hard-to-treat solid tumors. Immuno-oncology is currently one of the fastest growing therapeutic fields in medicine.

Targovax's lead product candidate, ONCOS-102, is a genetically modified oncolytic adenovirus, which has been engineered to selectively infect and replicate in cancer cells. It has been shown to activate the immune system to generate tumor-specific immune responses. In phase I trials, ONCOS-102 induced both local and systemic innate and adaptive immune activation, which has been associated with clinical benefit. ONCOS-102's targeted path-to-market indication is mesothelioma, where the virus is currently being tested in a randomized phase II trial. Another trial, in checkpoint inhibitor refractory advanced melanoma, is expected to produce important proof-of-concept immune activation data in heavily pre-treated patients.

Targovax is also developing a neoantigen cancer vaccine targeting tumors with oncogenic RAS–mutations, which are known to drive cancer. The TG vaccine program has shown strong RAS-specific immune activation and a signal of clinical efficacy in a 32-patient trial with TG01 in resected pancreatic cancer. A next generation product candidate, TG02 is currently tested in a phase I trial in colorectal cancer, both as monotherapy and in combination with Keytruda (an anti-PD1 check point inhibitor).

Please visit www.targovax.com for more information.

ONCOS

Lead product

Strong single agent data

Several upcoming data points

TG

Clinical effect in pancreas

First cancer vaccine to show immune activation against a driver mutation

Ideal combination product

Innovative pipeline

Next generation viruses in testing

CEO Statement

2018 was the year when we really started to see data read-outs from our clinical trials for our two immune activator programs. ONCOS showed the first signs of efficacy in combination trials with both check-point inhibitors (CPIs) and chemotherapy. TG became the first therapeutic cancer vaccine to clinically demonstrate T-cell activation towards a driver mutation, mutant RAS, combined with a clear signal of survival benefit in resected pancreatic cancer patients. We now look forward towards 2019 and 2020 as we continue to progress our clinical program and unlock the full potential of both of these platforms.

It has been an exciting year in which oncolytic viruses have now clearly emerged as a future cornerstone immune activator to prime solid tumors to better respond to other therapies, such as checkpoint inhibitors. In February, Merck & Co (MSD) acquired the Australian biotech Viralytics, a company in many ways resembling Targovax. This was subsequently followed by two other significant business development transactions in the oncolytic virus space together with several major IPOs and fundraisings.

Targovax followed suit, with data from the first six patients in both our mesothelioma and CPI refractory melanoma trials showing strong immune activation and early signals of clinical benefit. Notably, in the melanoma trial, we saw one patient achieving a complete response to the combination of ONCOS-102 and Keytruda, *meaning that all signs of the cancer were gone by week 9*. Complete responses are very rare in this advanced and heavily pre-treated population, and the patient is now approaching one-year duration of treatment response. These data have been recognized internationally, and generated increased attention from the industry, as well as led to invitations to present at prestigious conferences.

As a result of our own emerging data and the growing interest in the oncolytic virus field, Targovax has during 2018 enforced its focus on the ONCOS program. We do this in order to maintain momentum and retain Targovax's position as one of the leading independent oncolytic virus biotech companies. In practical terms, this means that our core focus over the coming years will be to progress the ONCOS-102 trials with full force, as well as to document and prepare our next generation of ONCOS viruses for the clinic.

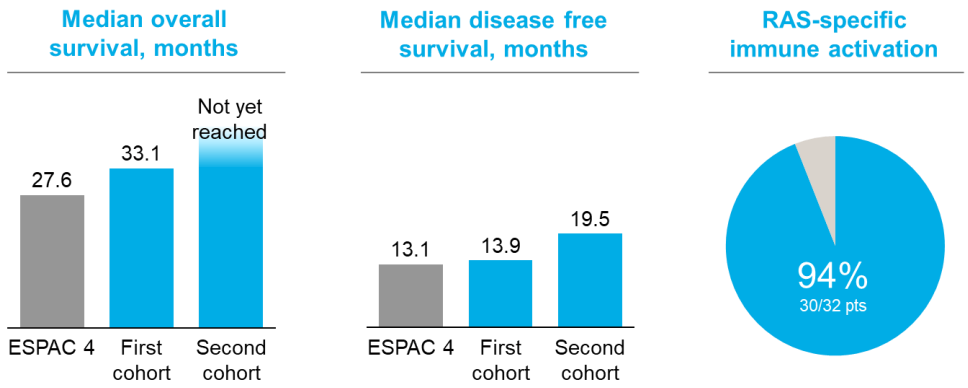
In parallel, we remain committed to continue development of our mutant RAS neoantigen vaccines TG01 and TG02. It is really challenging to induce immune responses to driver mutations such as those which occur in RAS molecules - driver mutations such as these are key to enabling cancers to grow and spread. In the 32-patient phase I/II trial in resected pancreatic cancer, TG01 showed remarkable immune activation and strong signs of clinical efficacy, both in terms of longer survival and time to recurrence. Combined with the vaccine's low toxicity and excellent tolerability, these data have led several international collaborative groups to approach Targovax for potential trial collaboration. These discussions are advancing, and we hope to be able to communicate more details around the next TG collaboration trial in 2019.

In summary, Targovax is demonstrating success on several fronts, with two unique technology platforms, three product candidates in clinical development, three next generation oncolytic viruses in the pipeline, and five ongoing immune-oncology combination trials. We are now entering an exciting new year in which we will present additional clinical data and take the next steps in launching new trial collaborations, with the aim of opening up revolutionary immunotherapies to more patients.

CEO, Øystein Soug presenting at Targovax's Key Opinion Leader Symposium in NYC, October 2018

Promising disease-free survival (DFS) data from TG01 in resected pancreatic cancer

In October, Targovax announced the full data set from our 32-patient phase I/II clinical trial evaluating TG01 in resected pancreatic cancer in combination with the standard of care (SoC) chemotherapy at the time, gemcitabine:



TG01 is well-tolerated - improved dosing regimen in second cohort

The full dataset showed encouraging signs of efficacy with an improved medium DFS compared to historical controls of monotherapy with the SoC.

We believe our neoantigen vaccines have great potential in combination with checkpoint inhibitors and have initiated pre-clinical studies to further investigate the mechanism of action and explore the potential of TG in combination with a checkpoint inhibitor. Our goal in such a combination study is to demonstrate proof-of-concept of vaccination and PD-1/L1 blockade in a suitable patient population.

We are now in active discussions with a number of academic groups who have expressed interest in sponsoring pancreatic cancer combination trials with the TG vaccine.

Additionally, in June we announced that the European Patent Office had granted Targovax European Patent no. 3079715 for stimulating the immune system of cancer patients with RAS mutated tumor. This patent will protect our mutant-RAS specific neoantigen TG vaccine platform as we continue to develop it.

Strengthening the Board and management

In September we were delighted to announce the appointment of Torbjørn Furuseth MD as our new CFO with Erik Digman Wiklund transitioning from CFO to become Chief Business Officer, with responsibility for all our business development activities. Previously Torbjørn was CFO at Lytix BioPharma where he raised NOK 150 million in private rounds. Erik, by transitioning into the CBO role, will allow Targovax to better leverage his strong scientific background in cancer research.

During 2018 we further strengthened our Board of Directors with the addition of Catherine Wheeler, MD. Catherine has had a long and distinguished international career in drug development spanning 20 years. Most recently she was Chief Medical Officer at Acetylon Pharmaceuticals and prior to that held progressively senior clinical and business development roles at Roche, AstraZeneca and Parexel, where she worked on a number of Phase I-III global oncology programs and had significant interaction with regulatory bodies including the US Food and Drug Administration (FDA).

The year ahead

In 2019 we will continue to progress and explore the clinical potential of both of our platforms, with particular focus on our lead program, ONC02-102. We expect several meaningful data read-outs from our four clinical trials over the next 12-15 months. We will also continue to explore the potential of our TG platform which has shown both excellent safety data and immune activation, but also an intriguing signal of efficacy in resected pancreatic cancer. We are actively looking to initiate investigator-led trials in pancreatic cancer. I would like to thank all our employees who have made this possible through their incredible efforts and our supportive shareholders, I am proud of what Targovax has achieved together and look forward to an exciting 2019.

Øystein Soug
CEO Targovax Group

Directors Report

Targovax continued to make good progress during 2018. The first clinical data read-outs from the ONCOS-102 combination trials were published, and the TG01 trial in resected pancreatic cancer was completed. Each of these trials showed immune activation data together with encouraging signals of clinical effects. Particularly, the observation of a patient with a complete response in the ONCOS-102 trial in CPI refractory melanoma was a crucial milestone for Targovax in 2018, demonstrating the concept that ONCOS-102 has the potential to reactivate treatment refractory progressive tumors to respond to checkpoint inhibition. If this early proof-of-concept event can be validated in more patients and larger trials, ONCOS-102 could become a way to extend the utility of immunotherapy to a broader group of patients to unlock broader groups of patients' responses to immunotherapies.

The TG01 trial established the TG01 vaccine as the first therapeutic cancer vaccine to generate clinical T-cell responses to a driver mutation. This lifts the TG program above and beyond earlier vaccine efforts, which have mainly shown non-specific innate immune responses or activation directed towards non-validated tumor-associated antigen (TAA) targets. This strong mutant RAS immune activation in more than 90% of patients, combined with the clinical benefit reported in a phase I/II trial in resected pancreatic cancer, makes the TG vaccine stand out from the crowd of other vaccines in current development.

We are committed to the TG01 product and are progressing active discussions with Key Opinion Leaders and external collaborators to initiate the next steps, which we hope to get off the ground during 2019.

During the year we also strengthened both the Board and management teams, with the appointments of Catherine Wheeler MD to the Board of Directors and Torbjørn Furuseth MD as Chief Financial Officer, with Erik Digman Wiklund transitioning to the role of Chief Business Officer to better leverage his scientific expertise. With this team in place, we are confident that Targovax is in a strong position to deliver on strategy and important milestones coming up in 2019 and 2020.

Strategy and strategic focus areas

Targovax's aim is to "activate the patient's immune system to fight cancer" with targeted therapeutic immune activators that have the potential to extend and transform the lives of cancer patients. The Group's pipeline includes a number of pipeline candidates targeted at different cancer types such as melanoma, mesothelioma, ovarian, pancreatic cancer and colorectal cancer.

The Group's strategy is to:

- apply its two proprietary immunotherapeutic technologies in multiple cancer indications where there is a significant unmet medical need
- prioritize its pipeline candidates based on the emerging preclinical and clinical data
- develop the most promising pipeline candidates, both through its own clinical trials and through collaborations
- specifically evaluate the combination of its pipeline candidates and checkpoint inhibitors (CPIs)
- optimize the Group's manufacturing capabilities to ensure later stage clinical trials and commercial supply
- expand its intellectual property profile, and retain the option to independently bring products to market, and to opportunistically explore partnerships with pharmaceutical companies

Business and technology platforms

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

- A virus-based immunotherapy platform (ONCOS) that utilizes engineered oncolytic viruses armed with potent immune-stimulating transgenes to target solid tumors. The aim is to (re)activate the patient's immune system to recognize and attack the patient's own cancer cells thus acting as a form of autologous or self-vaccination.
- A mutant-RAS neoantigen vaccine platform (TG) that targets difficult to treat RAS mutated cancers. Oncogenic RAS mutations are well-characterized truncal or 'driver' neoantigens, found in 90 percent of pancreatic cancer patients, 50 percent of colorectal cancer patients, and up to 30 percent of all cancers in total.

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

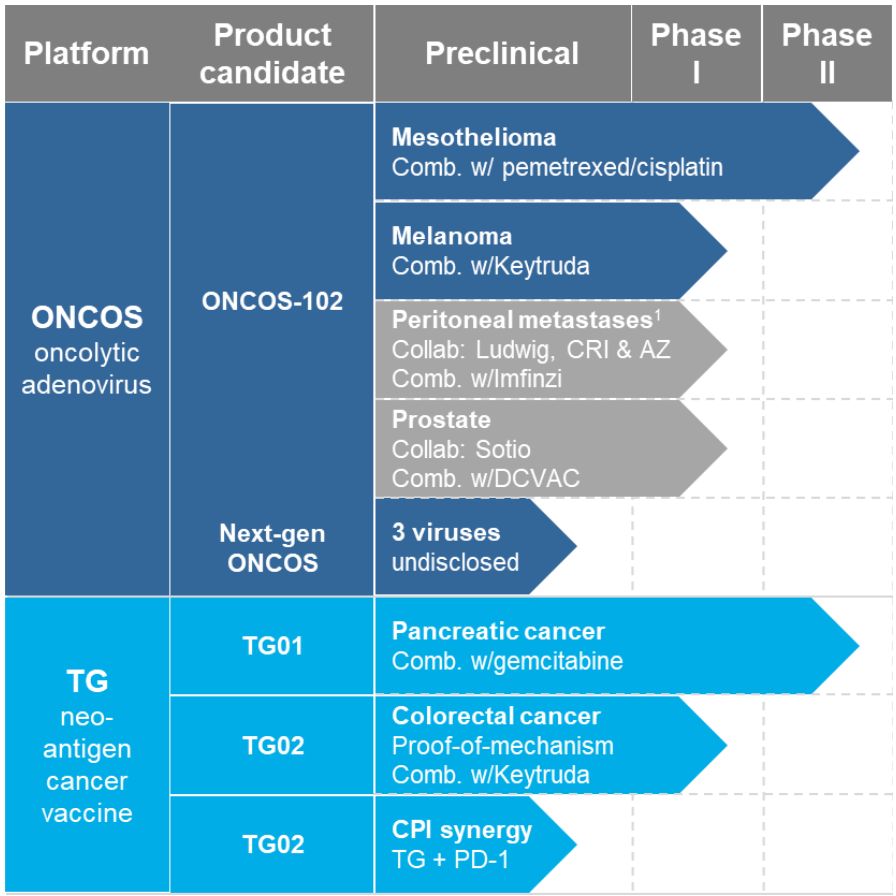
Targovax's virus-based oncolytic immunotherapeutic technology has a tumor-selective mechanism of action, making tumors visible to the immune system and educating the immune system to recognize and attack patient specific tumor cells. The technology is based on adenoviruses engineered to kill tumor cells, primarily via activation of a systemic, patient-specific, tumor-selective immune response. The lead pipeline candidate is ONCOS-102. Targovax's ONCOS immunotherapy technologies are designed to stimulate the immune system in several ways to recognize and fight cancer. When Targovax's adenovirus is injected into a tumor the presence of the adenovirus attracts cells of the innate immune system such as NK cells and macrophages which are designed to attack the virus. In parallel, while the adenovirus replicates within the tumor it breaks down or lyses the tumor releasing small peptide fragments of the tumor (tumor-specific neoantigens). The virus also releases the GM-CSF which is encoded within it (in the transgene). The presence of the released GM-CSF as well as the lysis of the tumor attracts antigen presenting cells (APCs) of which the most important are dendritic cells (DCs). These APCs take up the tumor fragments and 'display' these fragments to other immune cells such as T-cells which are then activated to target and kill cancers cells bearing the same fragments.

The TG platform is designed to focus the immune response on mutated forms of the RAS protein. This protein, when mutated, can trigger cancer development (a 'driver' mutation) and is the most frequently encountered driver mutation in all of cancer. Targovax is employing TG vaccination in cancer indications in which mutated forms of RAS are highly present and where use of an oncolytic virus alone may not be adequate to induce an effective immune response directed to mutated RAS

The TG immunization is designed to activate immune responses to peptide fragments that are recognized by both MHC (major histocompatibility complex) class II complexes as well as MHC class I complexes - and this generates both CD4+ helper T-cells and CD8+ cytotoxic T-cells - essential for full activation of an adaptive immune response. Peptides are insufficiently immunogenic by themselves to generate effective immune responses and need an 'adjuvant' or immune activator to attract dendritic cells to process them for subsequent immune activation. In parallel with the selection of GM-CSF as the transgene in ONCOS-102, Targovax has selected GM-CSF as its adjuvant for peptide vaccination. Targovax aims to demonstrate that the TG approach can prolong time to cancer progression and increase survival by inducing efficacious immune responses in cancer patients whose tumors carry RAS mutations. Currently, two TG pipeline candidates are being developed: TG01 for resected pancreatic cancer and TG02 for colorectal cancer.

Clinical development programs

Targovax currently has five ongoing clinical trials. Its lead candidate ONCOS-102 is currently in four clinical studies. On the TG platform, there is one ongoing trial in colorectal (TG02), whilst the TG01 trial in pancreas was completed in 2018.



ONCOS-102 clinical development programs

Mesothelioma

- Randomized phase II open label trial
- 30 1st line and 2nd line patients with unresectable malignant pleural mesothelioma
- Intra-tumoral ONCOS-102 in combination with standard of care, pemetrexed / cisplatin
- End-points: safety of the combination treatment, immune activation and overall response rates (ORR) at 6 months
- The trial is being conducted at four sites in Spain and France
- Most recent read-out: 6-patient safety lead-in cohort reported in April 2018
  - First safety review passed with no concerns
  - 50% disease control rate (DCR)
  - 100% innate immune activation
  - Tumor T-cell infiltration in 3/4 patients with available biopsy material
  - *De novo* tumor-specific T-cells

Melanoma

- Open-label, single arm phase I trial
- 9+12 patients (two dose cohorts) with advanced CPI refractory melanoma
- Intra-tumoral ONCOS-102 in combination with Keytruda (pembrolizumab)
- End-points: safety of the combination treatment, immune activation, overall response rates (ORR) at 6 months and survival rates
- The trial is being conducted at three US sites: Memorial Sloan Kettering (NY), Fox Chase Cancer Center (PA), and University of Maryland (MA)
- Most recent read-out: First 6 patients reported in October 2018
  - First safety review passed with no concerns
  - 1 patient with complete response (CR)
  - Innate immune activation in all 6 patients
  - Increased tumor T-cell infiltration in 3/4 evaluable patients

Peritoneal disease

- Collaboration with US-based Cancer Research Institute (CRI) and Ludwig Cancer Research (Ludwig, trial sponsor)
- Non-randomized, open-label, multi-center phase I/II trial
- Up to 78 patients who have failed prior standard chemotherapy and have histologically confirmed platinum-resistant or refractory epithelial ovarian or colorectal cancer
- Intraperitoneally administered ONCOS-102 in combination with Imfinzi (durvalumab, anti-PD-L1 antibody), in advanced peritoneal disease
- End-points: safety, biologic and anti-tumor activity of the combination
- The trial is being conducted at five sites in US
- Most recent read-out: First 4 patients reported in July 2018
  - First safety review passed with no concerns

Prostate Cancer

- Collaboration with the Czech biotech company Sotio, which is sponsoring the trial
- Open label, single-arm phase I/II trial
- Up to 15 patients with advanced metastatic castration-resistant prostate cancer
- Intra-tumoral ONCOS-102 in combination with Sotio's dendritic cell therapy DCVAC/PCa
- End-points: safety and tolerability of the combination
- The trial is being conducted at one site in the Czech Republic
- First patient was dosed in July 2018

TG neoantigen vaccine clinical development programs

Pancreatic Cancer (TG01)

- Phase I/II trial
- 32 patients recruited: two cohorts of 19 and 13 patients respectively, with resected adenocarcinoma of the pancreas
- Intradermal TG01 in combination with gemcitabine (standard of care at time of the trial start)
- End-points: clinical benefit of the combination
- The trial was conducted in the UK and Norway
- Full data read-out:
  - Median overall survival: 33.4 vs. 27.6 months in ESPAC4 trial for gemcitabine alone (from time of surgery)
    - First cohort: 33.1 months
    - Second cohort: median not yet reached
  - Median disease-free survival: 16.1 vs. 13.1 months in ESPAC4 trial for gemcitabine alone (from time of surgery)
    - First cohort 13.9 months
    - Second cohort 19.5 months

Colorectal Cancer (TG02)

- Open label, non-randomized, phase Ib exploratory trial
- 6 + up to 6 patients (two independent parts) with local primary and recurrent colorectal cancer scheduled to have surgery
- Intradermal TG02, first as monotherapy and then in combination with Keytruda (pembrolizumab), an anti-PD1 checkpoint inhibitor (CPI)
- End-points: to determine safety and immune activation
- The trial is being conducted at five sites in Australia and New Zealand
- Most recent read-out, early exploratory clinical results indicate that:
  - TG02 induced immune activation in patients, including evidence of activated tumor-infiltrating T-cells
  - Increased PD-1 expression was observed in both circulating and tumor-infiltrating T-cells

ONCOS-102 in mesothelioma

Mesothelioma is the path-to-market indication for ONCOS-102. Data from six patients in the safety lead-in cohort of the ongoing randomized 30 patient phase I/II trial were reported in 2018. Interim analysis of these first six patients show 3/6 (50%) disease control rate (DCR) with stable disease (SD) in two patients and partial response (PR) in one patient. In addition, early immune activation was assessed for a subset of the patients. Systemic release of several pro-inflammatory cytokines was observed (6/6 patients analyzed), demonstrating that the treatment triggers an innate immune response. Also, there was an increase in the relative level of tumor infiltrating cytotoxic CD8+ T-cells (3/4 patients with pre- and post-treatment biopsies analyzed), indicating an activation of the adaptive immune system in the lesions as well as suggesting that the treatment triggers changes in the tumor microenvironment. These data indicate that the treatment of ONCOS-102 in combination with chemotherapy induces relevant immune activation in patients. The interim clinical benefit rate is encouraging, and we are currently recruiting the last patients to the randomized part of the trial.

ONCOS-102 in checkpoint inhibitor refractory melanoma

In September 2018, Targovax announced promising interim clinical response results from the open-label ONCOS-102 phase I trial in advanced melanoma patients who have become refractory to prior checkpoint inhibitor treatment and are then treated with ONCOS-102 in combination with Keytruda. This followed an earlier announcement of results from the trial that indicated ONCOS-102 had elicited immune activation in patients consistent with the proposed mechanism of action. The results from the first six patients were presented by Dr. Shoushtari, a medical oncologist at Memorial Sloan Kettering Cancer Center and the principal investigator of the trial, at a Key Opinion Leader event hosted by Targovax in New York City on 11 October 2018.

The interim clinical response data showed that one out of the first six patients had a complete response. Importantly, despite prior treatment with the checkpoint inhibitors Yervoy and Keytruda, this patient's disease had progressed before being recruited into the Targovax trial. Examination of samples from this patient confirmed a strong innate immune response, followed by a large increase in tumor infiltrating T-cells (TILs). Most importantly, these TILs displayed a specific adaptive T-cell response to known tumor antigens. These observations confirm that the combination of ONCOS-102 and Keytruda can induce immune responses in treatment refractory patients, with an associated clinical benefit.

In addition, further analysis of 4 of the 6 patients showed that:

- It was possible to induce a strong innate immune response in 3 of these 4 previously CPI refractory patients (one being the complete responder)
- Substantial T-cell penetration was seen in 2 of these 4 previously CPI refractory patients compared to baseline (one being the complete responder)
- In 1 of the 2 patients displaying substantially increased TILs, it was possible to identify TILs in a non-injected lesion, confirming that the immune activation initiated at the injection site was able to cause TIL activity in a distal lesion.

These observations are consistent with the projected mechanism of action of the ONCOS-102/Keytruda combination treatment. Consequently, Targovax and the investigators are now planning to expand the number of patients in the trial and increase the number of ONCOS-102 injections each patient receives.

TG01 in pancreatic cancer

In May 2018, Targovax reported encouraging median overall survival (mOS) of 33.4 months for the full 32 patients included in the phase I/II trial TG01, in combination with gemcitabine in resected adenocarcinoma of the pancreas. Within the study, the first cohort consisted of 19 patients, receiving TG01 injections, before, during and after adjuvant chemotherapy treatment, whilst the second cohort of 13 patients received TG01 injections before and after adjuvant chemotherapy. It is notable that the second cohort had not yet reached mOS. Earlier, Targovax has reported data form the first patient cohort showing 2-year survival rate of 68% (13/19 patients) and mOS of 33.1 months, as well as 2-year survival rate of 77% (10/13 patients) in the second patient cohort.

The expanded data set for the trial, reported in October 2018, showed improved median disease-free survival (DFS) compared to historical controls of gemcitabine monotherapy. The median DFS for all 32 patients was 16.1 months. The first cohort had a median DFS of 13.9 months and the second cohort with an optimized dosing regimen had a median DFS of 19.5 months.

Targovax is encouraged to see an excellent safety profile of TG01 in resected pancreas, over 90% immune activation and signal of efficacy compared to historical control.
Following these results, Targovax has had incoming interest from collaborative cancer networks to participate in further trials, each of which is likely to be a combination trial. The Group is pursuing these opportunities actively. Additionally, following the encouraging TG01 results, Targovax is currently planning to conduct a further proof-of-concept trial in combination with PD-1/L1 blockade in a suitable patient population. In addition, pre-clinical studies are being run to characterize the mechanism of action and the postulated synergy in combination with CPIs.

TG02 in colorectal cancer

TG02 is the second-generation pipeline candidate from the TG mutRAS (mutated RAS) neoantigen vaccine platform, which is currently being tested in colorectal cancer with assessment of safety and immune markers.

Early exploratory clinical results indicate that TG02 induces immune responses in patients including evidence of activated tumor-infiltrating T-cells. In addition, PD-1 expression was observed in both circulating and tumor-infiltrating T-cells. This further strengthens the rationale for combining TG02 with a PD-1 checkpoint inhibitor. Based on these initial

safety and immune activation findings, the Group and investigators have decided to move the trial into the second cohort in which TG02 will be combined with the checkpoint inhibitor Keytruda.

Clinical trials with collaboration partners

Through our collaborations with Cancer Research Institute and Ludwig Cancer Research in peritoneal disease, and Sotio in prostate cancer, Targovax leverages its own clinical development expertise with access to leading external networks. In these collaboration trials, Targovax has retained all commercial rights to its products.

Preclinical development

Targovax has conducted *in vivo* studies of ONCOS-102 in mesothelioma and melanoma mouse models to validate the scientific rationale for the clinical combination strategies in these indications. Data were published in leading, peer reviewed publications, the Journal of Medical Virology and Cancer Gene Therapy.

In an immunodeficient mesothelioma mouse model, it was shown that ONCOS-102 acts synergistically to reduce tumor volume with the chemotherapy combination of pemetrexed and cisplatin (Pem/Cis), which is the current standard of care in malignant pleural mesothelioma. We have also demonstrated that ONCOS-102 induced CD8+ T-cells specific to the tumor associated antigen (TAA) mesothelin, which is typically overexpressed in mesothelioma, as well as many other forms of cancer (Kuryk et al, 2018, JMV).

- Pem/Cis alone did not reduce tumor volume
- ONCOS-102 alone reduced tumor volume by 56%
- ONCOS-102 + Pem/Cis reduced tumor volume by 75% relative to Pem/Cis alone and by 33% relative to ONCOS-102 alone
- ONCOS-102 induced a mesothelin specific T-cell response (ELISPOT analysis)

The efficacy of the combination of ONCOS-102 and PD-1 checkpoint inhibition (Keytruda, two different doses) has been assessed in a humanized melanoma mouse model, which showed a synergistic anti-tumor effect of ONCOS-102 and PD-1 blockade:

- Keytruda alone at both doses did not reduce tumor volume
- ONCOS-102 reduced tumor volume by 51%
- ONCOS-102 + Keytruda reduced volume by 61% (lower dose) and 69 % (higher dose)

These *in vivo* data demonstrate the efficacy of ONCOS-102 as a single agent, as well as the potential to act synergistically with both chemotherapy and checkpoint blockade, and thus underpin the scientific rationale for the ongoing mesothelioma and melanoma clinical trials.

Important events in 2018

In January, Targovax announced that ONCOS-102 generated immune activation at both the systemic and lesional levels in checkpoint inhibitor (CPI) refractory melanoma in four out of the first four patients treated.

In February, Targovax announced that the safety lead-in part of its ONCOS-102 trial in unresectable, malignant, pleural mesothelioma was completed without any safety concerns, and that ONCOS-102 generates early immune activation in treated patients.

In April, Dr. Catherine A. Wheeler was elected as a new member of the Board of Directors.

In May, an early signal of efficacy was reported from the ONCOS-102 phase I/II trial in mesothelioma, with activity observed in three out of six patients in the safety lead-in cohort. The trial has now entered the randomized phase II part, enrolling 24 more patients.

In May, survival data was reported from the 32-patient phase I/II clinical trial evaluating TG01 in resected pancreatic cancer in combination with gemcitabine chemotherapy. Median overall survival for the patients vaccinated with TG01 was 33.4 months, compared with 27.6 months for gemcitabine alone reported in the ESPAC4 trial.

In June, Targovax was granted a product patent in the EU for TG02, the 2nd generation product from the mutant-RAS neoantigen vaccine platform.

In July, Ludwig Cancer Research and the Cancer Research Institute announced the completion of the safety evaluation for the first dose cohort in the phase I/II trial of ONCOS-102 in combination with MedImmune's checkpoint inhibitor (CPI) Imfinzi (durvalumab). The trial continued into the second dose cohort.

In September, Targovax announced interim response rate and immune activation results for the first six patients in the phase I combination trial of ONCOS-102 and Keytruda in checkpoint inhibitor refractory melanoma, including one patient with a complete response.

In September, Targovax announced publication of new ONCOS-102 in vivo data in the Journal of Medical Virology, showing T-cell activation in a mesothelioma model.

In September, Targovax announced the appointment of Torbjørn Furuseth as Chief Financial Officer, with Erik Digman Wiklund transitioning to the role of Chief Business Officer.

In October, the Group reported the full data set from the TG01 trial in resected pancreatic cancer. The trial showed six months improvement in median overall survival (mOS) data over comparable historical control trials and RAS-specific immune activation in 94% of patients.

In October, an overview of the oncolytic virus space and encouraging interim data from the ONCOS-102 trial in CPI refractory advanced melanoma was presented by speakers from Memorial Sloan Kettering Cancer Centre at a Key Opinion Leader Symposium on oncolytic viruses in New York City hosted by Targovax.

Important events after balance sheet date

In January 2019, Targovax announced that the European Patent Office has granted a European Patent which protects Targovax's mutant-RAS specific neoantigen peptides, mutant RAS specific T-cells and vaccines TG01 and TG02, for the treatment of cancer in combination with chemotherapies. This extends Intellectual property (IP) protection of TG01 and TG02 into 2034.

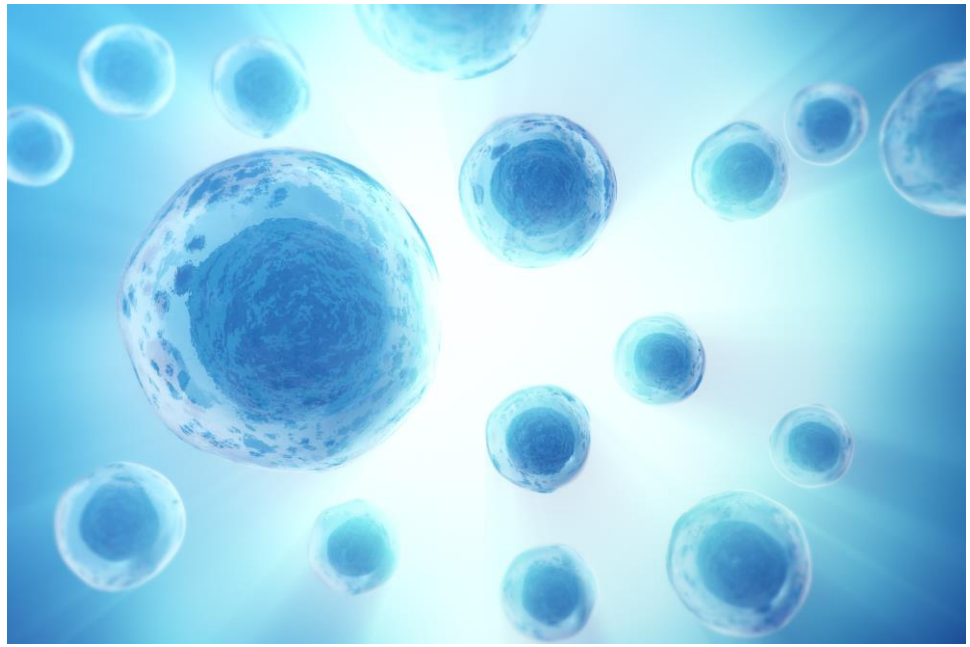
In February 2019, Targovax announced that the first patient has been treated in the dose expansion cohort of the ONCOS-102 trial in melanoma. In September 2018, Targovax reported interim data for the first six patients of the ongoing ONCOS-102 trial in CPI refractory advanced melanoma, showing strong immune activation and one patient with a complete response. Results suggested that patients might benefit from more injections of Targovax's oncolytic virus, and therefore a second dose cohort of twelve additional patients who will receive twelve, rather than three, ONCOS-102 injections has been initiated. The first patient on this extended dosing regimen has received the first ONCOS-102 injections and is ready for combination therapy with Keytruda. This also means that the first dosing cohort of the trial has been closed, with a total of nine patients enrolled.

In February 2019, Targovax announced that the US Patent and Trademark Office (USPTO) has issued a Notice of Allowance on the patent application No. 15/461837. The allowed patent protects the composition of matter of Targovax's mutant-RAS specific neoantigen peptides and vaccines TG02 and TG03.

In March 2019, Targovax announced that it has granted a freedom-to-operate (FTO) license to Zelluna Immunotherapy for the development of mutant RAS T cell receptor (mutRAS TCRs) therapies. Through the development of the TG neoantigen vaccine program, Targovax has established a significant patent portfolio and know-how in therapies targeting mutant RAS cancers. In addition to covering the TG vaccine program, these patents and know-how are also highly relevant in T cell therapy. Under the license agreement, Zelluna has been granted a global, non-exclusive license to relevant Targovax patents and know-how, for which Targovax will be compensated financially. The potential deal value amounts to NOK 100 million in milestones and annual fees, in addition to royalties on sales and sub-licensing revenues. Zelluna will retain full rights to, and freedom to operate (FTO) for, its portfolio of mutRAS TCRs and will be responsible for the development of these.

In March 2019, Targovax announced that it has entered into an agreement with The Parker Institute for Cancer Immunotherapy (PICI) and the Cancer Research Institute (CRI) for a clinical collaboration with Targovax' TG mutant RAS vaccine (TG). Under the agreement, PICI, CRI and Targovax plan to set up one or more clinical trials with TG, in combination with other immuno-oncology treatments and chemotherapy, in late stage pancreatic cancer. PICI will be the sponsor and responsible for running the clinical trials and scientific analyses, CRI and PICI co-organize the immunotherapy experts, and Targovax will be responsible for TG supply. Targovax may also contribute by partial cost sharing of the trial(s). The design of the first clinical trial is currently under discussion.

In March 2019, Targovax announced that a Private Placement had been successfully completed, raising gross proceeds of approximately NOK 74 million (USD 9 million) through the allocation of 10,521,973 new shares (the "New Shares") at a subscription price of NOK 7.0 per share. The Private Placement took place through an accelerated bookbuilding process after close of market on 21 March 2019. The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in Norway and the US.



Key figures in the consolidated accounts

Income statement (2017 figures in brackets)
In 2018 Targovax had no core business revenue, only minor non-core service fees.

Total operating expenses for 2018 amounted to NOK 146 million (NOK 120 million), of which payroll and related expenses amounts to NOK 56 million (NOK 48 million). The operating expenses are reported net of governmental grants, which amounted to NOK 5 million in the period (NOK 6 million).

Operating loss amounted to NOK 146 million in 2018 (NOK 120 million). Financial income amounted to NOK 3 million for the year (NOK 2 million). The group had financial expenses of NOK 4 million (NOK 4 million). The net loss for the period amounted to NOK 147 million (NOK 122 million).

Cash flow
Net cash amounted to NOK 151 million at the end of the year, compared to NOK 262 million at the end of 2017.

Net cash outflow from operating activities for the year 2018 was NOK 112 million (NOK 107 million). The difference between the operating loss and cash outflow from operating activities is due to activities completed in 2018 not yet invoiced at 31 December 2018. The increase in cash flow from financing activities in 2017 has led to the opportunity to expand the operational activities, hence the outflow from operational activities has increased.

Financial position
As at 31 December 2018, Targovax had total assets of NOK 538 million, compared to NOK 644 million by the end of 2017.

Total current assets amounted to NOK 167 million (NOK 276 million), of which cash and cash equivalents amounted to NOK 151 million (NOK 262 million).

Total non-current assets were NOK 371 million (NOK 367 million), of which intangible assets amounted to NOK 370 million (NOK 366 million).

Shareholders' equity amounted to NOK 375 million, decreased from NOK 507 million in 2017. The equity ratio amounted to 69.7 percent compared to 78.8 percent in 2017.

Going concern
The financial statements for 2018 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 several 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 commercialization and risk of failure is generally inherent throughout the process.

The group is in an early phase, with five clinical trials ongoing. 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 factors. Changes in the standard of care from initiation to completion of a clinical trial is also a risk factor.

Also, delays in the work with ongoing clinical trials, or in the preparations for new clinical studies, are important risk factors. Chemistry, manufacturing and controls for Targovax's drug products are under development and unforeseen incidents and delays may have an 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' ability and willingness to carry the studies through.

Development of pharmaceuticals is highly time consuming and costly and as Targovax depends on third parties to conduct its clinical trials, delays or other unforeseen discrepancies outside Targovax's control may occur. Such delays in clinical 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 executes routines and practices, 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 individuals as well as general regulatory framework of the development of pharmaceuticals. Recruitment of patients may be delayed due to patients' willingness to participate, competing trials and doctors' priorities.

The Group's lead pipeline candidates, ONCOS-102 and TG01 are currently in clinical phase I/II and phase Ib/II, 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 granted patent rights and has filed several patent applications, however, uncertainties related to predicting the degree and range of the protection from its patent estate will always exist as will the risk and uncertainties that may be caused by third party patents. The biopharmaceutical industry is characterized by intense competition and rapid innovation. The Group's competitors may be able to develop other compounds or drugs that are able to achieve similar or better results.

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' products, and potentially cash generating operations are not expected until one or more of the group's products are commercialized.

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 investor investments.

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

Future interest rate fluctuations may 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 Business Finland. The debt to Business Finland carry an annual interest equal to the European Central Bank's steering rate less 3 percentage points, but in no event less than 1 percent. The current interest is 1 percent per annum.

Fluctuations in exchange rates could affect the Group's cash flow and financial condition. The currency exposure includes 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, USD and CHF. Translation risk in the Group arises when amounts denominated in foreign currencies are converted to NOK, the Group's reporting and functional currency. One of the Group's subsidiaries has EUR as its reporting and functional currency.

Targovax has costs and payments in several currencies, EUR the most prominent but also USD 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

Overall pharmaceutical market

The QuintilesIMS Institute predicts that the pharmaceutical market will reach nearly USD 1,485 billion by 2021, an increase of USD 350-380 billion from the USD 1,105 billion recorded in 2016. This growth is coming mainly from market expansion in emerging countries and demographic trends in developed countries due to an ageing population. Global brand spending is forecast to increase to USD 815-832 billion in 2021. Global generic spending is expected to increase to USD 495-505 billion by 2021.

The United States share of global spending will increase from USD 461.7 billion in 2016 to USD 645-675 billion in 2021, while the European share of spending will grow from USD 151.8 billion to USD 170-200 billion. Meanwhile, emerging countries will spend USD 315-345 billion in 2021 from 242.9 in 2016.

The cancer market

General

The 2017 worldwide spending on cancer drugs reached USD 97 billion, according to a 2018 report from Allied Marked Research, which also forecasts the worldwide cancer market to grow by about 6-8 percent per year, reaching USD 177 billion in 2025. However, we should note that this figure does not include confidential rebates and discounts which on some highly priced drugs can be 30-50 percent of the list price, a situation especially common in the US market. Nevertheless, growth is expected to be significant, and the increasing use of expensive immune-oncology medicines (especially immune checkpoint inhibitors) in the treatment of cancer may well push the growth rate to even higher levels than currently forecasted.

The Cancer Epidemiology

UK Cancer Research estimates that cancer accounted for more than 9 million deaths in 2018 globally, which makes it the world's most deadly disease. There were 17 million new

cases of cancer worldwide in 2018. It is predicted there will be 27.5 million new cancer cases worldwide each year by 2040, if recent trends in incidence of major cancers and population growth are seen globally in the future. This is an increase of 61.7% from 2018 and is expected to be higher in males (67.6% increase) than in females (55.3% increase).

Types of cancer treatment
The cancer therapy (oncology) market is highly diversified, and the optimal cancer treatment should be individualized, depending on the type, stage and differentiation of the cancer, as well as the patient's overall physical condition and age. A patient's treatment plan may consist of one or many different treatment modalities, depending on the situation. For some cancer patient's treatment is of a curative intent, while for others, the intent is to relieve suffering and to increase quality of life (palliative care). Traditionally, surgery, chemotherapy, radiation therapy and hormone therapy are among the most common treatments. However, new and innovative approaches like targeted therapies and immunotherapy are increasingly being utilized for the treatment of cancer.

Immunotherapy
Clinicians 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 utilized in several ways, but the most common is to increase or "boost" the immune system and to stimulate it to recognize the cancer cells as foreign bodies that are to be removed. This is normally achieved by giving patients antibodies, immune activators 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 a 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 ('neoantigens') are released and the immune system learns to recognize the unique cancer cells of each patient. As a result, the patient's immune cells (e.g. T-cells) will start to find and kill cancer cells.

Another approach focuses 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 percent of all cancers[1] and one therapeutic technique is to use peptide-based cancer immune activator candidates that target RAS-mutations. These peptides are injected into the skin of the patient and subsequently the immune system learns to recognize 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 activities are 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 biotechnology company developing immune activators to target hard-to-treat solid tumors in 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.

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

Our commitment to corporate social responsibility is driven by our values: trust, quality, teamwork and innovation and is reflected in Targovax's focus to develop innovative immunotherapies to fight cancer.

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
- Labor rights and work conditions
- Whistleblowing
- Environmental responsibility

The complete content of the principles is published on the Group'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 highly targeted approaches in immuno-oncology: a virus-based immunotherapy platform (ONCOS) that utilizes engineered oncolytic viruses armed with potent immune-stimulating transgenes as potential multi-target, neoantigen therapeutic cancer vaccines to target solid tumors and a mutant-RAS neoantigen vaccine platform (TG) that targets difficult to treat RAS mutated cancers. Both treatment approaches harness the patient's own immune system to fight cancer.

Personnel and organization

The group has a policy to outsource non-core operations and highly specialized services. The Board considers the work environment within the group to be good. No accidents or injuries resulting in absence were registered in 2018. Absence due to illness in the group was 1.34 percent in 2018, considerably lower than the industry standard.

As at 31 December 2018, Targovax had a total of 26 employees, compared with 27 employees at the end of 2017.

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, 50 percent of the Board members are women, as are 33 percent 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, color 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 due to 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 corporate 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 page (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 2018 the Targovax share was traded in the NOK 6.99 – 21.30 range. During 2018 some 47 million shares were traded, with a total value of NOK 626 million. Closing price on 31 December 2018 was NOK 6.99 per share, corresponding to a market-value of NOK 368 million.

As of 27 March 2019, there were 63,138,421 shares outstanding in Targovax, distributed amongst 4502 shareholders. HealthCap is the largest shareholder, holding about 19.6 percent of total shares outstanding. The 20 largest shareholders control 50 percent of total shares outstanding.

The estimated share ownership situation on 27 March 2019:

	Estimated	
Shareholder	Shares mill	Ownership
HealthCap	12,4	19,6 %
RadForsk	4,4	7,0 %
Nordea	4,2	6,7 %
KLP	1,5	2,4 %
Thorendahl Invest	1,3	2,1 %
Citibank	1,0	1,6 %
Danske Bank (nom.)	0,8	1,3 %
Prieta	0,7	1,1 %
Timmuno	0,7	1,1 %
Sundt AS	0,7	1,0 %
MP Pensjon	0,6	0,9 %
Nomura International Plc	0,5	0,8 %
Merrill Lynch Prof. Clearing Corp.	0,5	0,8 %
Bofa Securities Europe SA	0,4	0,6 %
Jefferies	0,4	0,6 %
Lillesund	0,3	0,5 %
BNP Paribas	0,3	0,5 %
Olsen E.	0,3	0,4 %
Citigroup	0,3	0,4 %
Hellestø	0,3	0,4 %
20 largest shareholders	**31,5**	**49,9 %**
Other shareholders (4 482)	31,6	50,1 %
Total shareholders	**63,1**	**100,0 %**

Key management and members of the Board holds a total of 232,015 shares in Targovax ASA, representing some 0.4 percent of total shares outstanding.

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 a 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 2018 and 2019 respectively are in the Compensation Report submitted in note 10 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 72 million (NOK 67 million). Total cash amounted to NOK 141 million at the end of 2018 compared to NOK 244 million at the end of 2017. Equity at the end of 2018 amounted to NOK 550 million compared to NOK 611 million at the end of 2017.

Targovax ASA´s annual result amounted to a loss of NOK 72 million. The Board of Directors proposed that the loss is transferred to accumulated loss.

Outlook

There is much excitement in the industry regarding the potential of oncolytic viruses and with our ONCOS platform we have the potential to become a key player in this market. We have four ongoing clinical trials for our ONCOS 102 program, which delivered encouraging data during the year and we expect several meaningful data read-outs for over the next 12-18 months.

We remain confident in the potential of the TG platform to treat mutant RAS cancers as evidenced by the encouraging results from the TG01 trial in resected pancreatic cancer. We are in active discussions with a number of academic groups who have expressed interest in sponsoring pancreatic cancer combination trials and are also planning to conduct a Targovax sponsored trial in combination with checkpoint inhibitor. We are also excited by the potential of TG02, our second-generation pipeline candidate from the TG mutRAS (mutated RAS) neoantigen vaccine platform, which is currently being tested in a phase Ib exploratory trial in colorectal cancer.

We enter 2019 with optimism and look forward to providing further updates on our clinical progress.

Oslo, 9 April 2019
The Board of Directors of Targovax ASA

Patrick Vink Chairperson of the Board	Bente-Lill Romøren Board member	Johan Christenson Board member
Eva-Lotta Coulter Board member	Diane Mellett Board member	Per Samuelsson Board member
Catherine Wheeler Board member	Robert Burns Board member	Øystein Soug Chief Executive Officer

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 2018 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, 9 April 2019
The Board of Directors of Targovax ASA

Patrick Vink Chairperson of the Board	Bente-Lill Romøren Board member	Johan Christenson Board member
Eva-Lotta Coulter Board member	Diane Mellett Board member	Per Samuelsson Board member
Catherine Wheeler Board member	Robert Burns Board member	Øystein Soug Chief Executive Officer

Management

The Group’s management team consists of six individuals. Set out below are brief biographies of the members of Management. Holdings of shares and share options as at 9 April 2019 and includes close associates.

Øystein Soug
Chief Executive 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. During Mr. Soug's period in Algeta, the company started and completed a 900 patient Phase III trial, licenced its lead drug Xofigo with Bayer, built a US sales organization, launched Xofigo in the US, raised some USD 200 million in the capital markets and was sold for USD 2.9 billion to Bayer. Before his current CEO role, he was CFO of Targovax from May 2015 to October 2016. Prior to biotech, Mr. Soug held several positions with the Orkla Group and the European Bank for Reconstruction and Development (EBRD). He has an 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: 190 000
Share options: 1 160 000

Anne-Kirsti Aksnes
Vice President, Clinical Development

Anne-Kirsti Aksnes is a physiologist by training with 25 years of experience within clinical research and development in the pharmaceutical and biotech industry. She is responsible for the clinical development of oncolytic virus and peptide vaccines in Targovax. Previously, Dr. Aksnes 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 for their lead product Xofigo; an alpha particle-emitting radioactive therapeutic agent. Before that Dr. Aksnes was Director Clinical Development within research and development at Nycomed Imaging/Amersham Health/GE Healthcare. Before joining the industry she has been working with patients for more than 10 years at Sunnaas Rehabilitation Hospital as Head of the Laboratory for Clinical Physiology, research and development. Dr. Aksnes has a Medical Doctorate Degree (PhD) from Karolinska Institute, Sweden. She is a Norwegian citizen and resides in Norway.

Shares: 12 000
Share options: 423 000

Magnus Jäderberg
Chief Medical Officer

Magnus Jäderberg is a pharmaceutical physician with experience from more than 30 years in various R&D functions including clinical research, medical affairs, pharmacovigilance, strategic product development and general management. He is experienced in all phases of clinical research, including clinical pharmacology, dose finding, registration, post-launch product differentiation and pharmacovigilance. Dr. Jäderberg's therapeutic area expertise includes infectious diseases and immune oncology with late stage development, registration and launch of Rapamune (sirolimus) and Yervoy (ipilimumab). Prior to joining Targovax, he held roles at national, European and global level at GSK, Pharmacia, Wyeth and most recently as Chief Medical Officer of Bristol Myers Squibb (Europe). Dr. Jaderberg 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. He is a Swedish citizen and resides in the United Kingdom.

Shares: 20 000
Share options: 840 000

Torbjørn Furuseth
Chief Financial Officer

Torbjørn Furuseth joined Targovax in September 2018, coming from the role as CFO in Lytix Biopharma AS where he conducted several financing rounds. Torbjørn is an experienced executive with a broad background within life science. He has practiced as a physician and transitioned into business and management through six years as a management consultant at McKinsey & Company, where he served several pharma and healthcare clients. After McKinsey he joined pharma companies in the Norwegian industrial company Aker and eventually became EVP Innovation at Aker BioMarine, where he established and led the innovation department. Torbjørn brings a strategic and entrepreneurial mindset combined with a broad understanding of drug development with a focus on operational execution. Torbjørn is a Medical Doctor from Norwegian University of Science and Technology (NTNU). Dr. Furuseth is a Norwegian citizen, and resides in Norway.

Shares: -
Share options: 300 000

Erik Digman Wiklund
Chief Business Officer

Erik Digman Wiklund was hired as the Company's CFO in April 2017. In order to better leverage his scientific expertise, he transitioned into the CBO role in October 2018. Dr. Wiklund previously worked for the Norwegian cancer biotechnology company Algeta ASA and the nutraceutical company Aker Biomarine Antarctic AS, where he held the position as Director of Product Innovation. He also has management consulting experience from the Pharma & Health Care practice of McKinsey & Company. Dr. Wiklund holds a PhD in Molecular Biology from Aarhus University, Denmark, and the Garvan Institute of Medical Research in Sydney, Australia. Dr. Wiklund is a Swedish citizen, residing in Norway.

Shares: -
Share options: 430 000

Berit Iversen
Vice President, Head of CMC

Berit Iversen has more than 30 years of experience within research & development and operation in the pharmaceutical and biotech industry, including CMC, analytical sciences, quality control and quality assurance from preclinical product development through to regulatory approval of products. She has held different managing positions within CMC, Analytical development and Quality Control, in Nycomed/GE-Healthcare and in Invitrogen Dynal, now Thermo Fischer Scientific. Before joining Targovax, she was responsible for CMC and QA in Lytix Biopharma. Ms. Iversen holds an MSc degree in chemistry from the University of Oslo. She is a Norwegian citizen, and resides in Norway.

Shares: 20 087
Share options: 265 000

Board of Directors

Patrick Vink
Executive Chairman (b. 1963)

Patrick Vink was first elected to the Board in November 2017 and is up for election in 2019. He is a seasoned professional with over 30 years' experience from senior roles at leading pharmaceutical and biotechnology companies. With a proven track record of building and growing businesses through positions spanning operations, sales and marketing, Mr. Vink has led worldwide teams to drive product development and commercialization across a number of therapeutic areas, including oncology. Currently, He serves on the board of directors of several private and listed companies in the pharma and biotech space, including Santhera Pharmaceuticals, Acacia Pharma and Spero Therapeutics. Mr. Vink is a Dutch citizen and resides in Switzerland.

Shares:	0
Share options:	0
RSU:	44 286

Bente-Lill Romøren
Board Member (b. 1949)

Bente-Lill Bjerkelund Romøren was first elected to the Board in May 2012 and is up for election in 2019. She is a consultant with 40 years' experience from national and international management positions in the pharmaceutical industry. Ms. Bjerkelund Romøren 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 healthcare system as well as regulations and framework for the pharmaceutical market. She has board member experience from the private and public sector (healthcare). Ms. Bjerkelund Romøren holds a MSc degree in chemistry from the Norwegian Institute of Technology in Trondheim. She is a Norwegian citizen and resides in Norway.

Shares:	0
Share options:	0
RSU:	20 328

Johan Christenson
Board Member (b. 1958)

Dr. Johan Christenson was first elected to the Board in July 2015 and is up for election in 2019. He has been a Partner at HealthCap since 2001. Dr. Christenson has been in the life science sector covering science, medicine, drug development and venture investments since 1981. Prior to joining HealthCap, he was with SEB Företagsinvest (the venture capital arm of SEB) to supervise the healthcare portfolio. Dr. Christenson was Global Product Director and member of the global therapy area management team of Pain and Inflammation at AstraZeneca. He has an MD degree and a PhD in basic neuroscience from Karolinska Institute. Dr. Christenson held a position as Assistant Dean at the Karolinska Institute Graduate School for two years. He has four years of clinical specialist training in pediatrics and pediatric neurology. He serves on several private companies in the pharma and biotech sector including Aprea AB, Fusion Pharmaceuticals Inc. and InCarda Inc. Dr Christenson is a Swedish citizen and resides in Sweden.

Shares:	0
Share options:	0
RSU:	0

Eva-Lotta Coulter (known as Eva-Lotta Allan),
Board Member (b. 1959)

Eva-Lotta Allan was first elected to the Board in September 2015 and is up for election in 2019. Mrs. Allan, an independent director, has over 30 years of experience from the biotechnology industry of private and public companies. She is the Non-Executive Chairman of C4X Discovery and serves as Non-Executive Director of Crescendo Biologics' Board. During Mrs. Allan's five years as Immunocore's Chief Business Officer she raised $320 million in a Series A round, established significant strategic partnerships with top pharmaceutical companies. Ms. Allan was previously at Ablynx, where she served as Chief Business Officer for seven years taking the company public and structured several complex partnerships with pharmaceutical companies. Ms. Allan was previously Senior Director of Business Development and Site Operations (Europe) at Vertex Pharmaceuticals, and she was previously a board director of Isconova and UK's BIA. Mrs. Allan has a degree in microbiology from Stockholm University and started her career at the Tumor biology department at the Karolinska Institute in Stockholm. Ms. Allan is a Swedish citizen, and resides in the United Kingdom.

Shares	0
Share options	0
RSU	51 368

Diane Mellett
Board Member (b. 1960)

Diane Mellett was first elected to the Board in September 2015 and is up for election in 2019. She is a consultant to a number of biotech and medical device companies. Ms. Mellett 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, Ms. Mellett led a successful defense of a contractual dispute with Abbott Pharmaceuticals (now Abbvie) covering the company's major collaboration partnership regarding Humira, the most successful revenue generating antibody therapy in the pharmaceutical industry to date. She is a UK citizen, and resides in France.

Shares:	0
Share options:	0
RSU:	50 198

Per Samuelsson
Board Member (b. 1961)

Per Samuelsson was first elected to the Board in July 2015 and is up for election in 2019. He is a partner at Odlander Fredrikson/HealthCap, the life sciences venture capital firm, which Mr. Samuelsson joined in 2000. Prior to this, he gained more than 15 years of investment banking experience, mainly with Aros Securities in Sweden. In Samuelsson's last 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 of directors positions at Nordic Nanovector ASA, Oncopeptides AB and SwedenBIO. Mr. Samuelsson received his MSc in Engineering from the Institute of Technology in Linköping, Sweden. He is a Swedish citizen and resides in Sweden.

Shares:	0
Share options:	0
RSU:	0

Catherine Wheeler
Board Member (b. 1953)

Dr. Catherine Wheeler was first elected to the Board in April 2018 and is up for election in 2019. She has had a long and distinguished international career in drug development spanning 20 years. Most recently Dr. Wheeler was Chief Medical Officer at Acetylon Pharmaceutical and prior to that held progressively senior clinical and business development roles at AstraZeneca, and Roche, where she worked on a number of Phase I-III global oncology programs and had significant interaction with the regulatory bodies including the US Food and Drug Administration (FDA). Additionally, Dr. Wheeler was an established global consultant and Clinical Associate Professor of Medicine at Harvard Medical School, which she joined in 1981. Dr. Wheeler is Board Certified in Internal Medicine with sub-specialties in Haematology and Medical Oncology.

Shares:	0
Share options:	0
RSU:	6 049

Robert Burns
Board Member (b. 1947)

Dr. Robert Burns was first elected to the Board in July 2015 and is up for election in 2019. He is an advisor to companies developing immune based therapies in cancer and autoimmune indications. Dr. Burns has been involved for more than 30 years in building biotechnology companies focused on immuno-oncology. He is currently Chairman of Affibody AB in Sweden, a company developing novel therapies in autoimmune and inflammation indications. Dr. Burns was a member of the board of directors of Oncos Therapeutics OY prior to the Company's acquisition of Targovax Oy. He was previously chairman of the board of directors of Haemostatix Limited before it was acquired by Ergomed plc. Dr. Burns was also previously CEO at 4-Antibody AG, Affitech A/S (NASDAQ/OMX) and Celldex Therapeutics Inc (NASDAQ), each an immuno-oncology vaccine and antibody discovery company. Prior to Celldex Therapeutics, he 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 cancer immunotherapies. Dr. Burns holds a PhD in Chemistry and is a UK citizen, residing in Oxford, United Kingdom.

Shares:	64 928
Share options:	21 235
RSU:	28 199

KOL event in NYC

In October 2018 the Company hosted a Key Opinion Leader Symposium on oncolytic viruses and presented mesothelioma response rate data in New York. Symposium faculty included Dmitriy Zamarin, MD, PhD, and Alexander N. Shoushtari, MD, medical oncologists from Memorial Sloan Kettering Cancer Center

Dmitriy Zamarin, MD, PhD, Medical Oncologist, Memorial Sloan Kettering

- Dr. Zamarin's research is focused on the development of novel ways to use the immune system to treat cancer, including evaluation of novel immunotherapy drugs. He has published several landmark papers on oncolytic viruses and is the Study Chair on the ONCOS-102 trial in peritoneal cancer, in collaboration with Cancer Research Institute (CRI), Ludwig Cancer Research and MedImmune/AstraZeneca.

Alexander N. Shoushtari, MD, Medical Oncologist, Memorial Sloan Kettering

- Dr. Shoushtari is a renowned expert in melanoma, with a research focus on uveal and mucosal melanomas. He has been part of several immunotherapy trials at MSKCC and is the Principal Investigator on the ONCOS-102 phase I trial in CPI refractory advanced melanoma.

Drs. Zamarin and Shoushtari are both members of the research team of Dr. Jedd Wolchok, MD, PhD, Chief, Melanoma and Immunotherapeutics Service at the Memorial Sloan Kettering Cancer Center.

To download presentations from the event, please go to https://www.targovax.com - KOL event in NYC

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, trustworthiness and for access to capital.

In order to secure strong and sustainable corporate governance, it is important that the Group ensures 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 issued “The Norwegian Code of Practice for Corporate Governance” (the “Code of Practice”), most recently revised 17 October 2018, for companies listed on Oslo Stock Exchange and Oslo Axess. 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 the recommendations, explains how the policy is followed up by the Company, and finally concludes with any deviations from the Code of Practice.

1. Implementation and reporting on corporate governance

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 the Code of Practice, the company must provide an explanation of the reason for the deviation and what solution it has selected.

The Board has decided that the Company will comply with the Norwegian Code of Practice. Compliance with the Code of Practice is described in the Board of Directors’ Report. Targovax complies with the Code of Practice without any significant exceptions. One minor deviation has been accounted for below under chapter 6: General Meetings.

Deviations from the recommendation: None

2. Business

The company’s articles of association should clearly describe the business that the company shall operate.

The board of directors should define clear objectives, strategies and risk profiles for the company’s business activities such that the company creates value for shareholders.

The company should have guidelines for how it integrates considerations related to its stakeholders into its value creation.

The board of directors should evaluate these objectives, strategies and risk profiles at least yearly.

The Company’s Articles of Associations clearly describe the business of the Company and are available at www.targovax.com. The Board of Directors leads the Company’s strategic planning and makes decisions that form a basis for the Company’s executive management to prepare and carry out investments and structural measures. The Company’s objectives, strategies and risk profiles are being evaluated yearly, and together with the Company’s Articles of Association, provides the information needed to help ensure that shareholders can anticipate the scope of the Company’s activities.

The Company has guidelines for how it integrates considerations related to stakeholders into its value creation. Corporate Social Responsibility principles were adopted by the Board of Directors on 3 September 2015 to ensure sound corporate social responsibility. 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 in the Board of Directors report 2018.

Deviations from the recommendation: None

3. Equity and dividends

The board of directors should ensure that the company has a capital structure that is appropriate to the company's objective, strategy and risk profile.

The board of directors should establish and disclose a clear and predictable dividend policy.

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 or to purchase own shares should be intended for a defined purpose. Such mandates should be limited in time to no later than the date of the next annual general meeting.

The Board of Directors ensure the Company has a capital structure that is appropriate to the Company's objective, strategy and risk profile. Targovax and its subsidiaries' (the "Group's") equity at 31 December 2018 was NOK 375 million, which corresponds to an equity ratio of 69.7 percent. 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 of Directors to increase the Company's share capital or to purchase own shares should be intended for a defined purpose. Such mandates should be limited in time to no later than the date of the next annual general meeting.

In connection with the Company's share incentive arrangements and pursuant to the Section 10-14 of the Norwegian Limited Companies Act, the Board of Directors is granted an authorization to increase the Company's share capital by up to the lower of (a) NOK 800 000 and (b) 10 percent of the share capital of the Company. This applies until the Annual General Meeting in 2019.

For the period between the Annual General Meetings in 2019 and 2020, the Board of Directors proposes an authorization to increase the Company's share capital by up to 30 percent of outstanding shares and options and RSUs (i.e. fully diluted).

Deviations from the recommendation: None

4. Equal treatment of shareholders and transactions with close associates

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.

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 of Directors 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.

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.

Approval of agreements with shareholders and other closely-related parties

The Board of Directors 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 of Directors, 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.

Deviations from the recommendation: None

5. Share and negotiability

The company should not limit any party's ability to own, trade or vote for shares in the company.

The company should provide an account of any restrictions on owning, trading or voting for shares in the company.

The Company's constituting documents do not limit any party's ability to own, trade or vote for share in the Company. The Company's shares are freely transferable, subject to any restrictions that may exist under applicable securities laws.

Deviations from the recommendation: None

6. General meetings

The board of directors should ensure that the company's shareholders can participate in the general meeting.

The board of directors should ensure that:

- ***the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting***
- ***any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible***
- ***the members of the board of directors and the chairman of the nomination committee are present at the general meeting***
- ***the general meeting is able to elect an independent chairman for the general meeting***

Shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The company should design the form for the appointment of a proxy to make voting on each individual matter possible and should nominate a person who can act as a proxy for shareholders.

Exercising rights

The Board of Directors ensures that the Company's shareholders can participate in the the general meeting. The Board of Directors ensures that:

- the resolutions and supporting documentation, if any, are sufficiently detailed, comprehensive and specific 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
- representatives of the Board and the chairperson of the Nomination Committee are present at general meetings

Shareholders are able to vote on each individual matter, including on each individual candidate nominated for election.

Participation without being present

Shareholders who cannot be present at the General Meeting are given the opportunity to vote using proxies, and the form of the proxy are designed to make voting on each individual matter possible. The Company nominates a person who can act as a proxy for shareholders.

Deviations from the recommendation: The Company does not have an arrangement in place to ensure independent chairing of the General Meeting. However, the Board of Directors will on an ad hoc basis evaluate independent chairing when necessary. Historically, it has not been deemed necessary to have an independent chair.

Although Targovax encourages the members of the Board to be present at the Annual General Meeting, their attendance is not always possible.

7. Nomination Committee

The company should have a nomination committee, and 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, elect the chairperson and members of the nomination committee, and 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 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. 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 should be to propose candidates for election to the board of directors and nomination committee (and corporate assembly where appropriate) and to propose the fees to be paid to members of these bodies.

The nomination committee should justify why it is proposing each candidate separately.

The company should provide information on the membership of the committee and any deadlines for proposing candidates.

The Company has a Nomination Committee and the Nomination Committee is laid down in the Company's Articles of Association. The Company's General Meeting stipulates guidelines for the nomination committee, elects the members and the Chairperson of the Nomination Committee and determines their remuneration. The current Nomination Committee was elected at the General Meeting 11 April 2018. 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.

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

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.

The Nomination Committee shall give recommendations for the election of shareholder elected members of the Board of Directors and the members of the Nomination Committee, and remuneration to the members of the Board of Directors and the members of the Nomination Committee.

The Nomination Committee shall justify why it is proposing each candidate separately.

Targovax's shareholders are entitled to nominate candidates to the Board of Directors of Targovax ASA. Information on how to send input and proposals can be found on Targovax's website in the section "Committees composition" under "Investor Relations" and "Corporate governance".

For information about the members of the Nomination Committee, please see "Committee composition" under "Corporate Governance" in the Investor section at www.targovax.com.

Deviations from the recommendation: *Johan Christenson is currently a member of both the Board of Directors and the nomination committee and offered himself for re-election, and was re-elected, as a Board Member and a member of the nomination committee at the annual General Meeting in 2018.*

8. Board of directors; composition and independence

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 general meeting (or the corporate assembly where appropriate) should elect the chairman of the board of directors.

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: Patrick Vink (Chair), Catherine Wheeler, Per Samuelsson, Bente-Lill Romøren, Johan Christenson, Robert Burns, Eva-Lotta Allan, and Diane Mellett. The current Board of Directors was elected at the General Meeting 11 April 2018.

Participation on Board of Directors meetings and Board committee meetings during 2018:

Participation in meetings	Board Meetings	Audit Committee	Compensation committee	Governance Committee
Patrick Vink	11	5	3	
Catherine Wheeler	7			
Bente-Lill Romøren	10			1
Johan Christenson	10			1
Robert Burns	9		3	
Eva-Lotta Allan	11			1
Diane Mellett	7			1
Per Samuelsson	11	5	3	

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

The composition of the Board of Directors ensures that it can act independently of any special interests. All of the shareholder-elected members of the Board of Directors are independent of the Company's executive management and material business connections. In addition, five of the members of the Board of Directors 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 percent 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 of Directors does not include executive management. The Chairperson of the Board of Directors 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 of Directors, including number of shares and who are considered independent, see Note 10 Related parties and Management in the Company's Annual Report, and the section "Board of Directors" in the Annual Report.

Deviations from the recommendation: None

9. The work of the Board

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.

The board of directors should ensure that members of the board of directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors.

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

The Board of Directors Handbook adopted by the Board of Directors on the 3 September 2015 includes a set of instructions and policies instructions/charters for its own work, as well as for the executive management, with particular emphasis on clear allocations of internal responsibilities and duties.

The Board of Directors ensures that members of the Board of directors and executive management make the Company aware of any material interests that they may have in items to be considered by the Board of Directors. In order to ensure a more independent consideration of matters of a material character in which the chairperson of the board is, or has been, personally involved, the board's consideration of such matters will be chaired by some other member of the board.

The Board of Directors, working with the Corporate Governance Committee, carries 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 of Directors meeting 24 May 2018. The members of the committee are appointed for one year. These committees do not pass resolutions but supervise the work of the Company's management on behalf of the Board of Directors and prepare matters for Board of Directors 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 of Directors 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 Patrick Vink, Per Samuelsson and Diane Mellett. The CFO 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 of Directors 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.

Five meetings were held in 2018.

Compensation committee

The members of the Compensation Committee are Per Samuelsson, Patrick Vink 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 of Directors as and when appropriate and prepare matters for final decision by the Board of Directors. Recommendations and proposals for compensation to members of the Board of Directors shall be the responsibility of the Nomination Committee.

Three meetings were held in 2018.

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 of Directors
- Lead the Board of Directors in its annual review of the Board of Directors' performance and its competence
- Monitor the functioning of the Board committees and sub-groups and make recommendations to the Board of Directors with regard to the composition of Board committees and sub-groups
- Lead the Board of Directors in its annual review of the CEO's performance

One meeting was held in 2018.

Deviations from the recommendation: None

10. 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 guidelines etc. for how it integrates considerations related to stakeholders into its creation of value.

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 have implemented 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.

Our aim is to have an annual review by the Board of Directors, of the Company's most important areas of exposure to risk and its internal control arrangements.

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

Deviations from the recommendation: None

11. Remuneration of the Board of Directors

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 of Directors 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 of Directors' chair and other members, respectively. Separate rates are also adopted for the Board of Directors' sub-committees, with similar differentiation between the Chair and the other members of each committee.

The Annual General Meeting 11 April 2018 decided to remunerate the Board of Directors with a combination of cash and Restricted Share Units (RSUs).

If the Board members choose to receive the Board remuneration in RSU's they must elect to either (i) receive 100% of the compensation in RSUs, (ii) receive 1/3 of the compensation in cash and 2/3 in RSUs, or (iii) receive 2/3 of the compensation in cash and 1/3 in RSUs. The total compensation, except for meeting compensation, to each member of the Board of Directors for 2017-2018 have been set out in the minutes from the ordinary General Meeting.

The number of RSUs to be granted to a member of the Board of Directors is calculated as the non-cash compensation in NOK, divided by the market price for the Targovax ASA share. The market price is calculated as volume weighted average share price the 10 trading days prior to the grant date.

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

Robert Burns, member of the Board of Directors, was granted share options in Oncos Therapeutics Oy when he was a member of the Board of Directors 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 11 of the consolidated financial statements. He is the only member of the Board of Directors with share options in the Company. There are no plans to issue new options to the members of the Board of Directors going forward.

Information about all compensation paid to each member of the Board of Directors is presented in Note 10 of the consolidated financial statements.

Deviations from the recommendation: None

12. 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 of Directors has established guidelines for the remuneration of executive management. Such guidelines set out the main principles in determining the salary and other remuneration of executive management. These guidelines shall be communicated to the Annual General Meeting. The Board of Director's statement on the remuneration of executive management is outlined in an appendix to the agenda for the Annual General Meeting.

Performance-related remuneration of the executive management 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 incentivize 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).

Information about all compensation paid to each member of the Executive Management is presented in Note 10 of the consolidated financial statements.

Deviations from the recommendation: None

13. 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 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.

The Company's quarterly presentations are webcast directly and may be found on Targovax's website, along with the quarterly and annual reports, under "Investor Relations".

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

14. 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 (or the corporate assembly where relevant).

In the event of a take-over process, the Board of Directors 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 of Directors has a particular responsibility in ensuring that the shareholders have sufficient information and time to form a view on the offer.

The Board of Directors will not seek to hinder or obstruct any takeover bid for the Company's operations or shares. In the event of such a bid as discussed in section 14 of the Norwegian Code of Practice for Corporate Governance, the Board of Directors will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code of Practice. This includes obtaining a valuation from an independent expert. On this basis, the Board of Directors will make a recommendation as to whether or not the shareholders should accept the bid. There are no other written guidelines for procedures to be followed in the event of a takeover bid.

The Company has not found it appropriate to draw up any explicit basic principles for Targovax's conduct in the event of a takeover bid, other than the actions described above. The Board of Directors otherwise concurs with what is stated in the Code of Practice regarding this issue.

Deviations from the recommendation: None

15. Auditor

The board of directors should ensure that the auditor submits the main features of the plan for the audit of the company to the audit committee annually.

The board of directors should invite the auditor to meetings that deal with the annual accounts. At these meetings the auditor should report on any material changes in the company's accounting principles and key aspects of the audit, 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 board of directors should at least once a year review the company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

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 ensures that the auditor submits the main features of the plan for the audit of the Company to the Audit Committee annually.

The Board of Directors invites the auditor to meetings that deal with the annual accounts, so the auditor can report on any changes in the company's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all matters on which there has been disagreement between the auditor and the executive management of the company.

The Board of Directors once a year review the Company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

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. The Company has established guidelines for the management's use of the external auditor for services other than auditing.

The auditor's fees, presented in Note 10 of 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. The Audit Committee receives an annual summary from the external auditor of services other than auditing that have been provided

to the Company. The Company has established guidelines for the management's use of the external auditor for services other than auditing.

Deviations from the recommendation: None

TARGOVAX GROUP 2018

Accounts and notes

Contents

Consolidated statement of profit or loss

Amounts in NOK thousands except per share	*Note*	2018	2017
Other revenues	6	27	37
Total revenue		**27**	**37**
External R&D expenses	7,8	-64 006	-45 571
Payroll and related expenses	7,8,9,10,11	-56 433	-48 278
Other operating expenses	7,8,12,15,16,17	-25 688	-26 114
Total operating expenses		**-146 127**	**-119 963**
Operating profit/loss (-)		**-146 100**	**-119 926**
Finance income	13	3 068	1 654
Finance expense	13,21	-4 317	-4 001
Net finance income (expense)		**-1 249**	**-2 347**
Loss before income tax		**-147 349**	**-122 273**
Income tax income/(expense)	14	334	328
Loss for the period		**-147 015**	**-121 945**
Earnings/loss (-) per share			
Basic and dilutive earnings/loss (-) per share	**20**	**-2.79**	**-2.58**

Consolidated Statement of comprehensive income

Amounts in NOK thousands except per share data	*Note*	2018	2017
Income/loss (-) for the period		-147 015	-121 945
Items that may be reclassified to profit or loss:			
Exchange differences arising from the translation of foreign operations		2 620	21 308
Total comprehensive income/loss (-) for the period		**-144 395**	**-100 638**

Consolidated statement of financial position

Amounts in NOK thousands	*Note*	31.12.2018	31.12.2017
ASSETS			
Intangible assets	15	370 240	366 250
Property, plant, and equipment	16	889	1 165
Total non-current assets		**371 128**	**367 414**
Receivables	13,18	15 320	14 620
Cash and cash equivalents	19	151 189	261 573
Total current assets		**166 509**	**276 193**
TOTAL ASSETS		**537 637**	**643 608**
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	20	5 262	5 261
Share premium reserve		821 131	821 161
Other reserves		41 239	29 276
Retained earnings		-522 481	-375 466
Translation differences		29 546	26 926
Total equity		**374 696**	**507 158**
Non-current liabilities			
Interest-bearing liabilities	21	43 933	48 806
Deferred tax	14	59 632	59 350
Total non-current liabilities		**103 565**	**108 156**

Amounts in NOK thousands	*Note*	31.12.2018	31.12.2017
Current liabilities			
Interest-bearing liabilities	21,22	9 127	-
Accounts payable and other current liabilities	22	12 372	7 601
Accrued public charges	22	3 370	3 018
Other short-term liabilities	22	34 508	17 676
Total current liabilities		**59 377**	**28 294**
TOTAL EQUITY AND LIABILITIES		**537 637**	**643 608**

Oslo, 9 April 2019
The Board of Directors of Targovax ASA

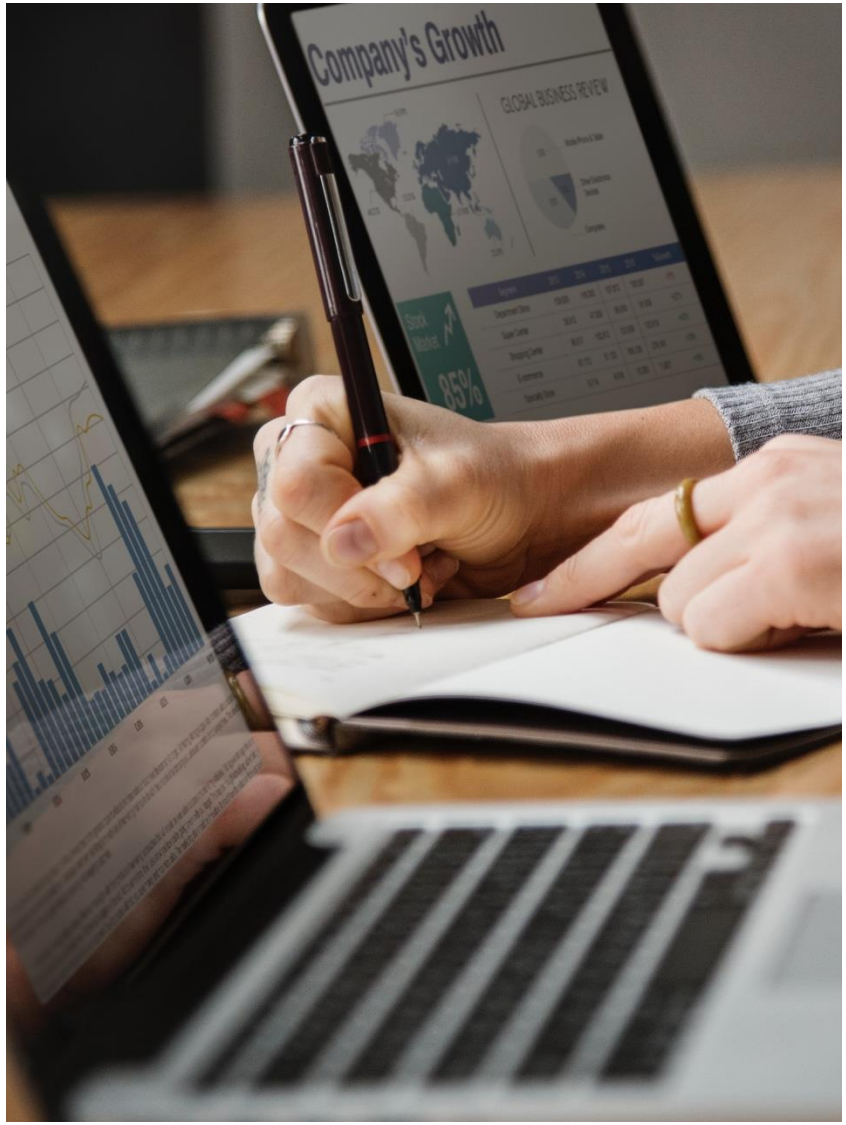
Patrick Vink Chairperson of the Board	Bente-Lill Romøren Board member	Johan Christenson Board member
Eva-Lotta Coulter Board member	Diane Mellett Board member	Per Samuelsson Board member
Catherine Wheeler Board member	Robert Burns Board member	Øystein Soug Chief Executive Officer

Consolidated statement of changes in equity

Amounts in NOK thousands	*Note*	Share capital	Share premium	Other reserves	Translation differences	Retained earnings (accumulated losses)	Total equity
Balance at 31 December 2016		**4 219**	**627 796**	**17 055**	**5 618**	**-253 521**	**401 168**
Loss for the period						-121 945	-121 945
Exchange differences arising from the translation of foreign operations		-	-	-	21 308	-	21 308
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period					**21 308**	**-121 945**	**-100 638**
Issue of ordinary shares - Capital increase - Private Placement and repair offering	20	1 032	205 433				206 465
Transaction costs - Private Placement and repair offering			-12 256				-12 256
Share issuance, employee share options & RSU's	20	10	189	-	-	-	198
Recognition of share-based payments & RSU's	11	-		12 220	-	-	12 220
Balance at 31 December 2017		**5 261**	**821 161**	**29 276**	**26 926**	**-375 466**	**507 158**
Loss for the period						-147 015	-147 015
Exchange differences arising from the translation of foreign operations		-	-	-	2 620	-	2 620
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period					2 620	-147 015	-144 395
Share issuance, employee share options & RSU's	20	1	-30	-	-	-	-30
Recognition of share-based payments & RSU's	11	-		11 963	-	-	11 963
Balance at 31 December 2018		**5 262**	**821 131**	**41 239**	**29 546**	**-522 481**	**374 696**

Consolidated statement of cash flow

Amounts in NOK thousands	*Note*	2018	2017
Cash flow from operating activities			
Loss before income tax		-147 349	-122 273
Adjustments for:			
Finance income	13	-3 068	-1 654
Finance expense	13	4 317	4 001
Interest received	13	1 554	1 366
Other finance expense	13	-88	-93
Share option and RSU expense	11	11 963	12 220
Depreciation	12	308	296
Change in receivables	18	-700	-417
Change in other current liabilities	22	21 496	-919
Net cash flow from /(used in) operating activities		**-111 568**	**-107 472**
Cash flow from investing activities			
Purchases of property, plant, and equipment (PPE)	16		-56
Net cash received from/(paid in) investing activities		**-**	**-56**
Cash flow from financing activities			
Loan from Business Finland	13, 21		2 992
Interest paid	13	-607	-579
Share issue expense - Private Placement and repair offering	20		-12 256
Proceeds from issuance of shares -Private Placement and repair offering	20		206 465
Proceeds from exercise of options	20	-30	198
Net cash generated from financing activities		**-637**	**196 820**
Net increase/(decrease) in cash and cash equivalents		**-112 204**	**89 292**
Net exchange gain/loss on cash and cash equivalents		1 820	651
Cash and cash equivalents at beginning of period		**261 573**	**171 629**
Cash and cash equivalents at end of period	**19**	**151 189**	**261 573**



1. General information

Targovax ASA ("the Company") and its subsidiaries (together the Group) is a clinical stage biotechnology company developing immune activators to target hard-to-treat solid tumors. Immuno-oncology is currently one of the fastest growing therapeutic fields in medicine.

The Group's lead product candidate, ONCOS-102, is a genetically modified oncolytic adenovirus, which has been engineered to selectively infect and replicate in cancer cells. It has been shown to activate the immune system to generate tumor-specific immune responses. In phase I trials, ONCOS-102 induced both local and systemic innate and adaptive immune activation, which has been associated with clinical benefit. ONCOS-102's targeted path-to-market indication is mesothelioma, where the virus is currently being tested in a randomized phase II trial. Another trial, in checkpoint inhibitor refractory advanced melanoma, is expected to produce important proof-of-concept immune activation data in heavily pre-treated patients.

The Group is also developing a neoantigen cancer vaccine targeting tumors with oncogenic RAS–mutations, which are known to drive cancer. The TG vaccine program has shown strong RAS-specific immune activation and a signal of clinical efficacy in a 32-patient trial with TG01 in resected pancreatic cancer. A next generation product candidate, TG02 is currently tested in a phase I trial in colorectal cancer, both as monotherapy and in combination with Keytruda (an anti-PD1 check point inhibitor).

The Company is a Norwegian public limited liability company listed on the Oslo Stock Exchange in Norway. The address of the registered office is Lilleakerveien 2C, 0283 Oslo, Norway.

These financial statements have been approved for issue by the Board of Directors on 9 April 2019 and are subject to approval by the Annual General Meeting in April 2019.

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.

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 or loss items. The monthly average exchange rates are used as an approximation of the transaction exchange rate where the rate at the date of transaction is not available. 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 or 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 exchange rate at the date of the transaction. If the exchange rate at the date of transaction is not available, average monthly exchange rate in the month of transaction is used. 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 statement of 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 2018 and earlier have been adopted for all periods presented in these financial statements.

In 2018 the Group implemented the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018.

• IFRS 9 ‘Financial Instruments’

• IFRS 15 ‘Revenue from Contracts with Customers’

• Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

None of the new standards, revised standards, amended standards or interpretations have a material impact on the Group’s overall results and financial position.

Standards and interpretations in issue but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group’s assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Lease:
IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The Group will apply the standard from its mandatory adoption date of 1 January 2019. Please see note 17 Lease for the Group’s exact impact of the new standard.

2.4 Basis of consolidation

The consolidated financial statements as at 31 December 2018 comprise the financial statements of the Company and its subsidiaries Targovax OY, located at Helsinki, Finland, and Targovax Solutions LLC, located at Massachusetts, USA, both 100% owned and controlled subsidiaries. Oncos Therapeutics AG, Meggen, Switzerland, was liquidated during 2017.

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 statement of profit or loss. Any investment retained is recognized at fair value.

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.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Intangible assets comprising the patented technology were recognized at fair value at the date of acquisition of Targovax OY (previous Oncos Therapeutics OY) July 2015. Until the development of the patented technology is finalized no amortization 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 amortized by the straight-line method over the estimated useful life.

2.6 Going concern

As a result of the private placement in the first quarter 2019 and the current liquidity situation, Targovax's Directors expect that the Group has available financial resources sufficient for all planned activities, in the next twelve months as of 9 April 2019. 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 consolidated statement of financial position, amounting to 370 MNOK. The value is tested for impairment 31 December 2018. 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 15.

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 statement of profit or loss, with a corresponding adjustment to equity. The estimated turnover rate for unvested share options is 0 percent for all share option plans. See Note 11 Share-based compensation.

Deferred tax asset

A deferred tax asset shall be recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

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 14 Taxes.

4. Segments

The Group's activities during 2018 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.

5. Financial instruments and risk management objectives and policies

The Group's financial assets and liabilities comprise cash at bank and cash equivalents, receivables and trade creditors that originate from its operations. All financial assets and liabilities are carried at amortized cost. All financial assets and liabilities, other than the debt to Business Finland, 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 Business Finland. The debt to Business Finland carries 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. For further information see Note 21 Interest-bearing debt.

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 Group is not sensitive to a change in interest rates on interest-bearing borrowings, the debt to Business Finland, unless the European Central Bank's steering rate increases above 4 %. Hence the Group's profit or loss statement, statement of financial position and the Group's cash flow is not sensitive to 1% change in interest rates on interest-bearing borrowings.

The following table demonstrates the Group's sensitivity to a 1 percent point change in interest rates on cash and cash equivalents at 31 December 2018 and 2017:

	2018		2017	
Amounts in NOK thousands	1% point increase	1% point decrease	1% point increase	1% point decrease
Loss before income tax effect	1 512	-1 512	2 616	-2 616

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, USD, GBP and CHF. Targovax hedges foreign currency by aligning the cash positions with future expected currency outflows. The Group does not have derivatives for hedge accounting at year-end.

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 2018 and 2017.

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

	2018		2017	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	1 863	-1 863	961	-961
Other comprehensive income	-6 040	6 040	-3 971	3 971

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

	2018		2017	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	1 164	-1 164	1 217	-1 217
Other comprehensive income	21	-21	-	-

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

Amounts in NOK thousands	2018 10% point increase	2018 10% point decrease	2017 10% point increase	2017 10% point decrease
Loss before income tax effect	436	-436	-179	179
Other comprehensive income	-	-	-	-

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

Amounts in NOK thousands	2018 10% point increase	2018 10% point decrease	2017 10% point increase	2017 10% point decrease
Loss before income tax effect	-206	206	-80	80
Other comprehensive income	-	-	-	--

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 and cash equivalents:

Amounts in NOK	2018 Amount	2018 In %	2017 Amount	2017 In %	Rating S&P
Cash at bank:	**63 537**	**42%**	**107 422**	**41%**	
Nordea Bank AB	53 345	35%	90 321	35%	**AA-**
Danske Bank A/S	436	0%	524	0%	**A**
DNB Bank ASA	9 756	6%	16 577	6%	**AA-**
Money market funds:	**87 652**	**58%**	**154 151**	**59%**	
Nordea Likviditet III	87 652	58%	154 151	59%	
Total	**151 189**	**100%**	**261 573**	**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	2018 Carrying amounts	2018 Fair value	2017 Carrying amounts	2017 Fair value
Receivables	15 320	15 320	14 620	14 620
Cash and cash equivalents	151 189	151 189	261 573	261 573
Total financial assets	**166 509**	**166 509**	**276 193**	**276 193**
Interest-bearing borrowings	53 059	53 059	48 806	48 806
Accounts payable and other current liabilities	12 372	12 372	7 601	7 601
Accrued public charges	3 370	3 370	3 018	3 018
Other short-term liabilities	34 508	34 508	17 676	17 676
Total financial liabilities	**103 309**	**103 309**	**77 100**	**77 100**

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	-	-	53 059	53 059
Total financial instruments at fair value	**-**	**-**	**53 059**	**53 059**

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, after the private placement in the first quarter 2019, sufficient cash available to meet its obligations as at 31 December 2018 and related to planned activities in the next 12 months. Hence, the Group is funded into 2020, and will need new funding for the next phases of the development program and subsequent clinical trials. All liabilities at year-end, other than the debt to Business Finland, are short-term and fall due within one year of the reporting date, their carrying value approximates their fair value.

The following tables analyses the Group's current and non-current financial liabilities, at 31 December 2018 and 2017 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 2018

(Amounts in NOK thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Interest-bearing borrowings[1]	-	227	9 528	50 764	4 586	**65 105**
Accounts payable and other current liabilities	-	12 372	-	-	-	**12 372**
Accrued public charges	-	3 370	-	-	-	**3 370**
Other short-term liabilities	-	34 508	-	-	-	**34 508**
Total	**-**	**50 477**	**9 528**	**50 764**	**4 586**	**115 355**

1 Interest-bearing borrowings comprise loans from Business Finland and includes future interest payments. The Group is applying for an extension of the repayment-free period for EUR 917 400 of this loan falling due during 2019.

At 31 December 2017

(Amounts in NOK thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Interest-bearing borrowings[1]	-	225	397	46 992	17 406	**65 020**
Accounts payable and other current liabilities	-	7 601	-	-	-	**7 601**
Accrued public charges	-	3 018	-	-	-	**3 018**
Other short-term liabilities	-	17 676	-	-	-	**17 676**
Total	**-**	**28 519**	**397**	**46 992**	**17 406**	**93 314**

1 Interest-bearing borrowings comprise loans from Business Finland, and includes future interest payments

6. Revenue recognition

Revenue from providing services is recognized in the accounting period in which the services are rendered. Revenue is presented net of value added tax.

Amounts in NOK thousands	2018	2017
Other revenue	27	37
Total operating revenue	**27**	**37**

The Group's products are still in the research and development phase, and it has no revenue from sales of products yet.

7. Research and development expenses

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

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 the marketing authorization is obtained from regulatory authorities. This assessment requires significant management discretion and estimations.

The following table gives an overview of the Group's research and development expenditures compared to the total operating expenses:

	2018		**2017**	
Amounts in NOK thousands	Total	Of which R&D	Total	Of which R&D
External R&D expenses	64 006	64 006	45 571	45 571
Payroll and related expenses	56 433	30 210	48 278	25 727
Other operating expenses	25 688	941	26 114	1 217
Total	**146 127**	**95 157**	**119 963**	**72 515**

The model for calculation of the R&D share of Payroll and related expenses was changed during fourth quarter 2018. This results in changes in the R&D share of Payroll and related expenses for comparative periods throughout the years 2018 and 2017 (reported as NOK 30.0 million in the 2017 Annual report).

The following external research and development expenditures have been expensed:

Amounts in NOK thousands	**2018**	**2017**
R&D related consultancy and other expenses	48 483	31 098
Cost of manufacturing for R&D	14 908	16 054
Patent expenses	4 691	2 806
Government grants	-4 077	-4 387
Total external research and development expenses	**64 006**	**45 571**

8. 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 statement of profit or loss 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 External R&D expenses or Other operating expenses.

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

Amounts in NOK thousands	**2018**	**2017**
External R&D expenses	4 077	4 387
Payroll and related expenses	1 105	1 261
Other operating expenses	80	124
Total grants	**5 263**	**5 772**

For the full year 2018 the Group has, for SkatteFUNN projects, recognized NOK 5.2 million (NOK 5.0 million 2017) as cost reduction in External R&D expenses, Payroll and related expenses and Other operating expenses.

In 2018, NOK 0.02 million (NOK 0 million in 2017) is recognized as cost reduction in Other operating expenses in relation to a grant from the Research Council of Norway, related to project related travel expenses.

In 2018, no additions were granted related the existing loans from Business Finland, hence no recognition of government grant is performed during the year (NOK 0.9 million was recognized as a government grant in relation to an additional loan approval of EUR 0.3 million during 2017). See note 21 Interest-bearing debt for information about Business Finland loans.

NOK 0.05 million was expensed related to the final disbursement for the EU project “ADVance” during 2017.

Specification of grants receivables:

Amounts in NOK thousands	**2018**	**2017**
Grants from SkatteFUNN	5 243	4 955
Grants from the Research Council of Norway	20	-
Total grants receivable	**5 263**	**4 955**

9. Payroll and related expenses

Payroll and related expenses are recognized in the statement of profit or loss 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 statement of profit or loss in the period to which the contributions relate.

Bonus scheme

In 2018 Targovax implemented a bonus system covering all employees.

The Group recognizes a liability and an expense for bonuses based on a short-term incentive plan for employees linked to achievement of corporate objectives as well as individual objectives determined by the Board. See note 10 Related parties and Management.

Total payroll and related expenses for the Group are:

Amounts in NOK thousands	2018	2017
Salaries and bonus	37 547	30 043
Employer's national insurance contributions	4 723	4 277
Share-based compensation [1)]	11 963	12 220
Pension expenses – defined contribution plan	2 028	1 982
Other	1 279	1 016
Governmental grants	-1 105	-1 261
Total payroll and related expenses	**56 433**	**48 278**

1) Share-based compensation has no cash effect.

Number of employees calculated on a full-time basis as at end of period	25.6	26.7
Number of employees as at end of period	26	27

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. Targovax OY has a defined contribution pension scheme that complies with requirements of Finnish law.

10. Related parties and Management

Targovax Compensation Report

This report describes the compensation programs for Targovax. It is intended to describe programs for senior executives and to explain how they were compensated in 2018 and will be in 2019. See Note 9 Payroll and related expenses and 11 Share-based compensation for accounting principles for payroll and related expenses and equity-settled share-based payments.

Section 1: Introduction by the Compensation Committee

It is our pleasure to present Targovax Compensation Report for the year 2018. We encourage all shareholders to read the entire Compensation Report before attending the Annual General meeting in April 2019.

2018 was an exciting year for Targovax. One of Targovax's clinical trials, the phase II trial of TG01 in resected pancreatic cancer, generated important clinical data demonstrating an encouraging signal of efficacy compared to historical controls, both in terms of disease-free survival and overall survival. In addition, Targovax reported encouraging interim response rate and immune activation data in the ONCOS-102 trials in mesothelioma and checkpoint inhibitor refractory melanoma.

We look forward to reporting several data points from our broad range of ongoing clinical trials in the coming year. The outcomes of these trials all represent important steps in our goal of delivering value to Targovax's shareholders.

Targovax is a clinical stage company with a broad pipeline of product opportunities in immuno-oncology. In order to implement our strategy and build shareholder value Targovax needs to be able to attract and retain experienced and qualified key individuals. The total compensation philosophy reflects this in that equity incentives play an important role in compensating, motivating, and retaining the employees. Moreover, the Compensation Committee believes that it is essential that a substantial part of management's compensation is aligned with the interests of Targovax's shareholders. The equity incentive is an important motivator of Targovax's organization, in particular key employees, to deliver the milestones that will advance Targovax and underpin long-term value creation. Needless to say, in order to make this journey successful, Targovax needs to be able 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 essential means and tactics necessary to fulfil the needs of the company. Long-term incentives have been the most important topic to ensure a successful compensation policy. The Compensation Committee believes that the suggested compensation policy will support and fulfil the essential needs of sustainable engagement and long-term value creation of the company.

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

Per Samuelson, Robert Burns and Patrick Vink
Targovax Compensation Committee, 9 April 2019

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 Compensation 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 other key employees. Targovax's 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.

Compensation Committee activity

The CEO attended selected meetings of the Compensation Committee, providing input and assisting with specific queries. The CEO did not participate in conversations regarding his own level of compensation.

The committee covered the following matters during the year:

- Review of the overall compensation strategy and policies
- Review of the compensation levels and structure for each member of the management team
- Review of the market competitive positioning of the compensation for each member of the management team
- Recommendation on the base salary increase of the CEO and a review of recommendations made by the CEO for the other members of the management team
- Assessment of fulfilment of objectives for 2018 and on resulting cash bonuses for the management team
- Recommendation on the grant of employee share options
- Recommendation on corporate objectives for 2019

Section 3 – Overview of the compensation policy

The compensation policy

The compensation policy applied in 2018 and 2019 is as follows:

Principle	Summary
Market competitive compensation	Targovax offers market competitive reward opportunities on a level adequate to enable the company 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 performance and 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 - with priority being given to securing 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. Compensation practices will remain flexible enough to evolve as the business priorities of Targovax change.
Shareholder alignment	Compensation programs will align the interests of all employees in driving long-term value creation for our shareholders. Targovax will share the success of the company wherever possible with its employees.

Element	Applied in 2018	Proposed for 2019
Base salary	✔	✔
Short term incentive for top executives: Annual cash bonus	✔	✔
Short term incentive for all employees: Annual cash bonus	✔	✔
Long term incentive for all employees: Share options	✔	✔
Benefits	✔	✔
Pension	✔	✔
Equity as part of Board fee	✔	✔

Section 4 – Compensation policy for each element

The policy for each element of the compensation offered to our employees is described below, this shows the policy applied for 2018 and 2019.

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 determined by achievements of corporate objectives. Other management/employee bonuses are based on the achievement of the corporate objectives as well as individual objectives.

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

The Corporate Objectives for 2018 and 2019 focus on short term execution of clinical plans and longer-term business development.

Target bonus percentages	2018 (% of base salary)	2019 (% of base salary)
Øystein Soug (Chief Executive Officer)	35%	35%
Magnus Jäderberg (Chief Medical Officer)	30%	30%
Erik Digman Wiklund (Chief Business Officer)	30%[2]	30%
Torbjørn Furuseth (Chief Financial Officer)	30%	30%
Anne-Kirsti Aksnes (VP Clinical Development)	20%	20%
Berit Iversen (VP, Head of CMC)	20%	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.

In 2018 Targovax implemented a bonus system covering all employees who are not part of the management team. The criteria are the same as for the management team; based on the achievement of the corporate objectives as well as individual objectives.

Long-term incentives

The Committee's proposal for 2019 long-term incentives and the policy applied in 2018 are described below.

Long term incentives proposal for 2019

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 Compensation Committee.

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

Board members are 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 2018

In 2018, Targovax granted share options under the current share option plan in which all employees are eligible to participate.

[2] From 1 August 2018

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 awarded to 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. Most 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.

In the event of a Take-over or a Statutory Merger all unvested options shall vest if, within 24 months following the completion of such trade sale or merger, the option holder's employment is terminated by the Group.

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 Annual General Meeting in April 2018, the Board was authorized to increase the Group's share capital in connection with share incentive arrangements to employees and consultants by up to NOK 800 000. The authorization to increase the share capital covers:

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

For the next period, this cap will be proposed at the lower of (a) NOK 800 000 and (b) 10% of outstanding shares and options and RSU's (i.e. fully diluted).

At the end of 2018, 4 252 304 share options were outstanding, of which 2 067 777 were vested and exercisable at year-end 2018. Current Management Team members held 2 818 000 share options 1 163 657 options were held by other employees and the remaining 270 647 by board members, previous employees, previous Oncos board members, consultants, and inventors.

At end of 2018, one Board member who had previously been granted options in legacy Oncos before the merger in 2015, 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.

Severance payment

Øystein Soug (CEO) and Magnus Jäderberg (CMO) are entitled to severance pay equal to 12 months' salary in the event of termination of employment. Torbjørn Furuseth (CFO) is entitled to severance pay equal to 3 months' salary in the event of termination of employment. Apart from this, no employee, including any member of Management, has entered into employment agreements which provide for any special benefits upon termination.

Statement for 2018

The Board of Directors complies with the decision made at Targovax ASA's Ordinary General Meeting on 11 April 2018 to approve of the Board of Directors' statement concerning principles for Management compensation pursuant to Norwegian Public Limited Companies Act section 6–16a. The principles for 2018 were identical to the principles listed above.

Section 5 – Compensation tables for 2018 and 2017

Remunerations and other benefits in 2018:

Amounts in NOK thousands	Fixed annual salary as at 31 Dec 2018	Earned salaries in 2018	Bonus earned in 2017, paid in 2018	Pension expenses in 2018	Benefits in kind in 2018	Exercise of share options/RSUs	Total remuneration in 2018
Board of Directors of Targovax ASA:							
Patrick Vink, Chairperson of the Board		-					-
Bente-Lill Bjerkelund Romøren, Board member		164					164
Johan Christenson, Board member		294					294
Catherine Wheeler, Board member		25					25
Per Samuelsson, Board member		268					268
Robert Burns, Board member		8					8
Eva-Lotta Coulter, Board member		4					4
Diane Mellett, Board member		4					4
Total Board of Directors [1) 2)]		767	-	-	-	-	767
Management team:							
Magnus Jäderberg, Chief Medical Officer	3 150	2 478	603	-	590	-	3 671
Øystein Soug, Chief Executive Officer	2 575	2 631	466	72	9	-	3 178
Berit Iversen, VP CMC	1 275	1 280		73	8	-	1 361
Anne Kirsti Aksnes, VP Clinical Development	1 435	1 437		72	7	-	1 516
Torbjørn Furuseth, Chief Financial Officer	1 850	498		20	7	-	524
Erik Digman Wiklund, Chief Business Officer	1 700	1 566		72	10		1 648
Total Management Team [3) 4) 5) 6) 7)]	**11 985**	**9 890**	**1 068**	**308**	**631**	**-**	**11 897**
Total	**11 985**	**10 656**	**1 068**	**308**	**631**	**-**	**12 664**

1) The Board members may choose to receive their Board fee either in RSUs or in cash. Please see the table for holding of RSUs for further details on the Board related remuneration.
2) Jónas Einarsson resigned as Board member 11 April 2018. During 2018 his remuneration consists of TNOK 397 in Board related remuneration.
3) Fixed annual salary is the annual salary in GBP multiplied by the average exchange rate throughout the year.
4) Tina Madsen resigned from her position as VP Quality Assurance on 31 July 2018. During 2018 her remuneration consists of TNOK 953 in salary, TNOK 71 in pension and TNOK 8 in benefits in kind.
5) Torbjørn Furuseth was appointed CFO of the Group on 24 September .
6) Erik Digman Wiklund was appointed CBO of the Group on1 August 2018 and was before that CFO of the Group.
7) Michael Bogenstätter was appointed CBO of the Group on1 January 2018, resigned from his position as CBO on 31 July 2018. During 2018 his remuneration consists of TUSD 325 in salary, TUSD 10 in pension.

All amounts in the tables exclude National Insurance Contribution.

In 2018, the annual general meeting of the Company resolved that all current board members shall receive NOK 260 000 and the Chairperson of the Board NOK 475 000 for the period from the annual general meeting in 2018 and until the annual general meeting in 2019. If the current board members have served for a shorter period than since the annual general meeting in 2019, the remuneration shall be pro rata adjusted down (based on the number of days served compared to the full period). The members of the board of directors may choose to receive their remuneration, or parts thereof, in the form of restricted stock units (RSUs). The remuneration in cash shall be payable immediately after the annual general meeting in 2019. Members of board committees shall receive an additional remuneration of NOK 4 000 per committee meeting, however not less than NOK 20 000 for the period and the chairpersons of such committees shall receive remuneration of NOK 8 000 per meeting, however not less than NOK 40 000 for the period.

As at 31 December 2018 NOK 1.3 million, excluding National Insurance Contribution, was recognized as expense in provision for Board remunerations to be paid in cash. NOK 1.0 million for the period April 2018 to December 2018 and NOK 0.3 million was recognized as expense for Board remuneration for the period between AGM 2017 to AGM 2018 and paid in April/May 2018. In 2018 NOK 0.4 million was recognized as expense for Board remunerations in RSUs for the period April 2017-April 2018 and NOK 1.0 million for the period April 2018 to December 2018.

The Group has recognized as expense NOK 2.3 million, excluding National Insurance Contribution, in provision for bonuses to Management Team for 2018.

The Group has recognized as expense NOK 7.6 million in share-based compensation to the Management Team at 31 December 2018. There are no outstanding loans or guarantees made to the Board of Directors or the Management Team at 31 December 2018.

Remunerations and other benefits in 2017:

Amounts in NOK thousands	Fixed annual salary as at 31 Dec 2017	Earned salaries in 2017	Bonus earned in 2016, paid in 2017	Pension expenses in 2017	Benefits in kind in 2017	Exercise of share options/RSUs	Total remuneration in 2017
Board of Directors of Targovax ASA:							
Jónas Einarsson, Board member [1)]		350					350
Bente-Lill Bjerkelund Romøren, Board member		133					133
Johan Christenson, Board member		200					200
Per Samuelsson, Board member		200					200
Robert Burns, Board member						774	774
Eva-Lotta Coulter, Board member		133					133
Diane Mellett, Board member							-
Total Board of Directors [2)]	**-**	**1 017**	**-**	**-**	**-**	**774**	**1 791**
Management Team:							
Magnus Jäderberg, Chief Medical Officer [3)]	2 929	2 357	562	-	556	-	3 475
Øystein Soug, Chief Executive Officer	2 500	2 420	309	68	8	-	2 805
Berit Iversen, VP CMC	1 192	1 158		62	7	331	1 558
Anne Kirsti Aksnes, VP Clinical Development	1 304	1 295		69	7	-	1 370
Tina Madsen, VP Quality Assurance	1 064	1 071		63	8	-	1 141
Peter Skorpil, VP Business Development	994	1 000		57	9	-	1 066
Erik Digman Wiklund, Chief Financial Officer	1 350	883		52	7		941
Total Management Team [4) 5)]	**11 334**	**10 183**	**871**	**372**	**602**	**331**	**12 358**
Total	**11 334**	**11 199**	**871**	**372**	**602**	**1 105**	**14 149**

1) Jonas Einarsson resigned as Chairperson and replaced Lars Lund-Roland as Board member 30 November 2017.
2) Lars Lund-Roland resigned as Board member 30 November 2017. During 2017 his remuneration consists of TNOK 439 in exercise of RSU's.
2) The Board members may choose to receive their Board fee either in RSUs or in cash. Please see the table for holding of RSUs for further details on the Board related remuneration.
3) Fixed annualsalary is the annual salary in GBP multiplied by the average exchange rate throughout the year.
4) Tiina Hakonen resigned from her position as Site Manager Helsinki on 31 July 2017. During 2017 her remuneration consists of TNOK 615 in salary, TNOK 117 in pension and TNOK 1 in benefits in kind.
5) Jon Amund Eriksen resigned from his position as Chief Technology Innovation Officer and member of the Management Team at 31.12.2017. His role is now Special Advisor of the Group. During 2017 his remuneration consists of TNOK 1 586 in salary, TNOK 69 in pension and TNOK 203 in benefits in kind.

All amounts in the tables exclude National Insurance Contribution.

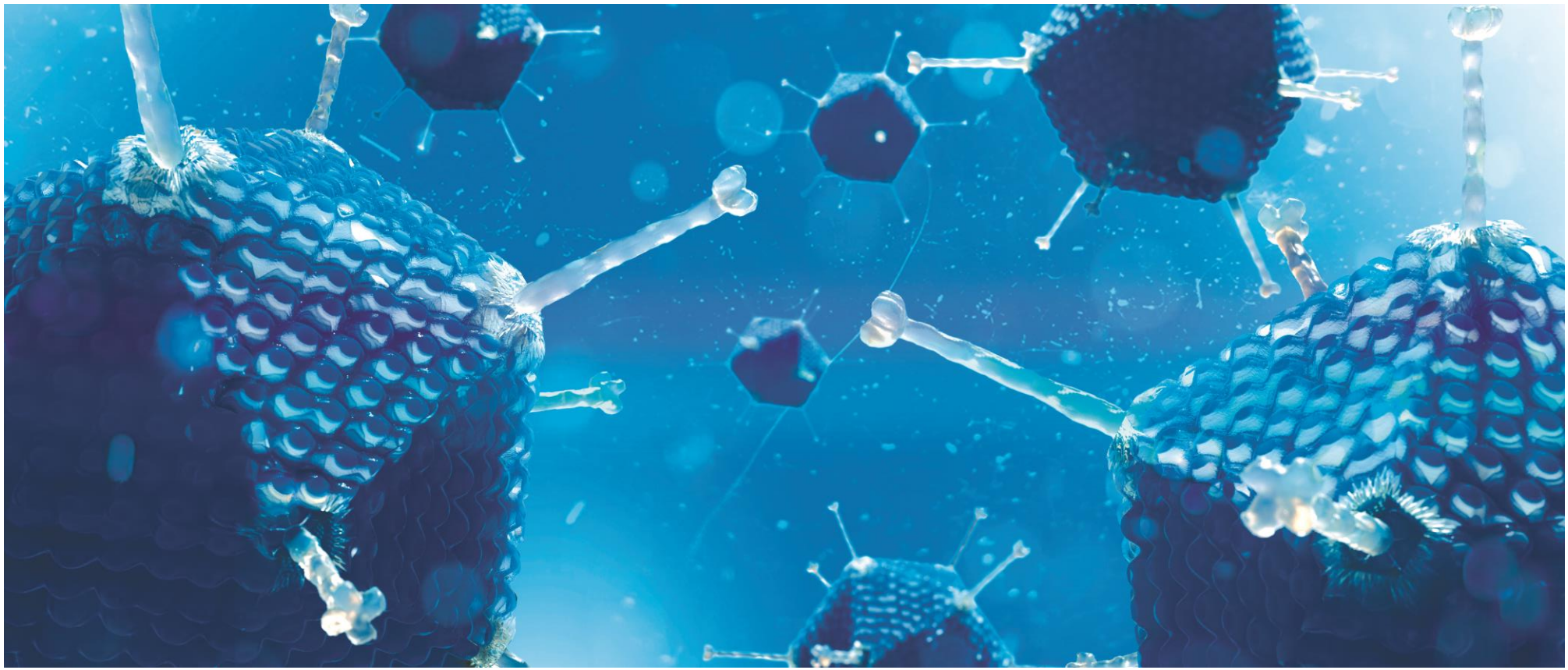
In 2017, the annual general meeting of the Company resolved that all current board members shall receive NOK 240 000 and the Chairperson of the Board NOK 450 000 for the period from the annual general meeting in 2017 and until the annual general meeting in 2018. If the current board members have served for a shorter period than since the annual general meeting in

2018, the remuneration shall be pro rata adjusted down (based on the number of days served compared to the full period). The members of the board of directors may choose to receive their remuneration, or parts thereof, in the form of restricted stock units (RSUs). The remuneration in cash shall be payable immediately after the annual general meeting in 2018.

As at 31 December 2017 NOK 1.0 million, excluding National Insurance Contribution, was recognized as expense in provision for Board remunerations to be paid in cash. NOK 0.7 million for the period April 2017 to December 2017 and NOK 0.3 million was recognized as expense for Board remuneration for the period between AGM 2016 to AGM 2017 and paid in May 2017. NOK 0.2 million was recognized as expense for Board remunerations in RSUs for the period April 2016-April 2017 and NOK 0.7 million for the period April 2017 to December 2017.

The Group has recognized as expense NOK 1.3 million, excluding National Insurance Contribution, in provision for bonuses to Management Team for 2017.

The Group has recognized as expense NOK 7.8 million in share-based compensation to the Management Team at 31 December 2017. There are no outstanding loans or guarantees made to the Board of Directors or the Management Team at 31 December 2017.



Holding of shares, options for shares and RSUs, including those of close associates, as at 31 December 2018:

Amounts in NOK thousands	Holding of shares as at 31 Dec 2018	% ownership 31 Dec 2018	Exercised options 2018	Granted options 2018	Holding of options as at 31 Dec 2018	Exercised RSU's 2018	Granted RSU's 2018[3]	Holding of RSU's as at 31 Dec 2018
Board of Directors of Targovax ASA:								
Diane Mellett, Board member					-		6 049	50 198
Eva-Lotta Coulter, Board member					-		18 148	51 368
Bente-Lill Bjerkelund Romøren, Board member					-		6 049	20 328
Patrick Vink, Chairperson							33 155	44 286
Robert Burns, Board member	64 928	0.12 %			21 235		18 148	28 199
Catherine Wheeler, Board member					-		6 049	6 049
Johan Christenson, Board member [1]					-		-	-
Per Samuelsson, Board member [1]					-		-	-
Total Board of Directors	64 928	0.12 %	-	-	21 235	-	87 598	200 428
Management team:								
Øystein Soug, Chief Executive Officer [2]	115 000	0.22 %		220 000	1 010 000			
Magnus Jäderberg, Chief Medical Officer	20 000	0.04 %		100 000	760 000			
Anne Kirsti Aksnes, VP Clinical Development	12 000	0.02 %		70 000	353 000			
Erik Digman Wiklund, Chief Business Officer	-	0.00 %		150 000	300 000			
Berit Iversen, VP CMC	20 087	0.04 %		60 000	195 000			
Torbjørn Furuseth, Chief Financial Officer	-	0.00 %		200 000	200 000			
Total Management	167 087	0.32 %	-	800 000	2 818 000	-	-	-
Total	232 015	0.44 %	-	800 000	2 839 235	-	87 598	200 428

1) Johan Christenson and Per Samuelsson, both Member of the Board, are partners at HealthCap, HealthCap owns 12 405 584 shares at 31.12.2017
2) The shares are held through Abakus Invest AS
3) Granted RSUs to the Board of Directors are a part of the yearly Board remuneration fee which the Board members can select either to receive in cash or in RSUs.

Holding of shares, options for shares and RSUs, including those of close associates, as at 31 December 2017:

Amounts in NOK thousands	Holding shares as at 31 Dec 2017	% ownership 31 Dec 2017	Exercised options 2017	Granted options 2017	Holding of options as at 31 Dec 2017	Exercised RSU's 2017	Granted RSU's 2017[4]	Holding of RSU's as at 31 Dec 2017
Board of Directors of Targovax ASA:								
Diane Mellett, Board member					-		10 051	44 149
Eva-Lotta Coulter, Board member					-		10 051	33 220
Bente-Lill Bjerkelund Romøren, Board member					-		3 350	14 279
Patrick Vink, Chairperson							11 131	11 131
Robert Burns, Board member	64 928	0.12 %			21 235	-40 984	10 051	10 051
Jónas Einarsson, Board member [1]					-			-
Johan Christenson, Board member [2]					-			-
Per Samuelsson, Board member [2]					-			-
Total Board of Directors	**64 928**	**0.12 %**	**-**	**-**	**21 235**	**-40 984**	**44 634**	**112 830**
Management team:								
Øystein Soug, Chief Executive Officer [3]	109 598	0.21 %		250 000	790 000			
Magnus Jäderberg, Chief Medical Officer	20 000	0.04 %		150 000	660 000			
Anne Kirsti Aksnes, VP Clinical Development	12 000	0.02 %		130 000	283 000			
Erik Digman Wiklund, Chief Financial Officer	-	0.00 %		150 000	150 000			
Berit Iversen, VP CMC	20 087	0.04 %	-25 000	70 000	135 000			
Tina Madsen, VP Quality Assurance	6 300	0.01 %		50 000	103 000			
Peter Skorpil, VP Business Development	10 000	0.02 %		30 000	75 000			
Total Management	**177 985**	**0.34 %**	**-25 000**	**830 000**	**2 196 000**	**-**	**-**	**-**
Total	**242 913**	**0.46 %**	**-25 000**	**830 000**	**2 217 235**	**-**	**44 634**	**112 830**

1) Jónas Einarsson, Member of the Board of Directors, is CEO of the Radium Hospital Research Foundation which owns 4 427 255 shares at 31.12.2017
2) Johan Christenson and Per Samuelsson, both Member of the Board, are partners at HealthCap, HealthCap owns 12 405 584 shares at 31.12.2017
3) The shares are held through Abakus Invest AS
4) Granted RSUs to the Board of Directors are a part of the yearly Board remuneration fee which the Board members can select either to receive in cash or in RSUs.

Total outstanding options for shares by range of exercise price at 31 December 2018:

Exercise price in NOK	9.30	10.26	12.39	17.17	21.16	21.50	21.96	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 team:										
Øystein Soug, Chief Executive Officer	150 000			220 000			250 000	390 000		1 010 000
Magnus Jäderberg, Chief Medical Officer			120 000	100 000			150 000	390 000		760 000
Anne Kirsti Aksnes, VP Clinical Development			100 000	70 000		53 000	130 000			353 000
Erik Digman Wiklund				150 000	150 000					300 000
Berit Iversen, VP CMC			20 000	60 000			70 000	45 000		195 000
Torbjørn Furuseth, CFO		200 000		-						200 000
Total Management	150 000	200 000	240 000	600 000	150 000	53 000	600 000	825 000	-	2 818 000
Total	150 000	200 000	240 000	600 000	150 000	53 000	600 000	825 000	21 235	2 839 235

Total outstanding options for shares by range of exercise price at 31 December 2017:

Exercise price in NOK	9.30	12.39	21.16	21.50	21.96	25.00	37.60	Total
Board of Directors of Targovax ASA:								
Board of Directors of Targovax ASA:							21 235	21 235
Robert Burns, Board member							21 235	21 235
Total Board of Directors							**21 235**	**21 235**
Management team:								
Øystein Soug, Chief Executive Officer	150 000				250 000	390 000		790 000
Magnus Jäderberg, Chief Medical Officer		120 000			150 000	390 000		660 000
Anne Kirsti Aksnes, VP Clinical Development		100 000		53 000	130 000			283 000
Erik Digman Wiklund			150 000					150 000
Berit Iversen, VP CMC		20 000			70 000	45 000		135 000
Tina Madsen, VP Quality Assurance				53 000	50 000			103 000
Peter Skorpil, VP Business Development					30 000	45 000		75 000
Total Management	150 000	240 000	150 000	106 000	680 000	870 000	-	2 196 000
Total	150 000	240 000	150 000	106 000	680 000	870 000	21 235	2 217 235

Related party transactions

There were no related party transactions in the Group in 2018 and 2017

Remuneration to the statutory auditor (excl. VAT)

Amounts in NOK thousands	2018	2017
Statutory audit	313	349
Other attestation services	-	50
Tax services	210	226
Other services	153	124
Total	**676**	**749**

11. 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 statement of profit or loss, with a corresponding adjustment to equity. Changes to the estimates may significantly influence the expense recognized during a period.

Share options

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) in Targovax ASA.

At the Annual General Meeting in April 2017 the Board was authorized to increase the Group’s share capital in connection with share incentive arrangements by up to the lower of (a) NOK 800 000 and (b) 10% of the Company's outstanding shares, options and RSU's. A renewed authorization was given at the Ordinary general meeting in April 2018.

The Company has granted share options under its long-term incentive program (the “LTI Option Program”). The Option Program applies to the Management Team 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”).

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.

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

There were granted 1 429 000 share options during 2018 and 1 277 000 share options during 2017.

As of 31 December 2018, there are in total 4 252 304 outstanding options for all option programs, 4 161 896 options under the LTI Option Program and 90 408 options under the IPR Option Program.

Fair value of the options has been calculated at grant date. The fair value of the options was calculated using the Black-Scholes model. The expected volatility for options issued in 2018 and 2017 is estimated at average of 76,66% and 78,39 %%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2018 and 2017 is 1,11% and 0,84%.

The following table shows the changes in outstanding options in 2018 and 2017:

	2018		2017	
	No. of options	Weighted avg. exercise price (in NOK)	No. of options	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	3 466 634	21.06	2 513 170	20.93
Granted during the period	1 429 000	15.95	1 277 000	21.53
Exercised during the period	-	-	-34 004	5.65
Forfeited	-449 582	17.83	-75 000	20.42
Expired	-193 748	22.63	-214 532	25.00
Outstanding no. of options at end of period	**4 252 304**	**19.61**	**3 466 634**	**21.06**

1) See Note 10 Related parties and Management for further information on granted share options to Management Team.

The average fair value of options granted in 2018 was 8.53 per share and 11.58 per share in 2017. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2018 and 2017 were:

Amounts in NOK thousands	2018	2017
Volatility (%)	76.66	78.39
Expected life (in years)	3.65	3.65
Risk-free interest rate (%)	1.11	0.84
Share price (NOK)	15.85	21.32
Exercise price (NOK)	15.95	21.53

The expensed share options, NOK 10.6 million in 2018 and 11.3 million in 2017, includes management estimate for employee turnover. The estimated turnover rate used for the year 2018 and 2017 was 0 %.

At 31 December 2018, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

	Outstanding options				Vested outstanding		
Exercise price	Outstanding options Per 12/31/2018	Weighted average remaining contractual life	Weighted average remaining years until	Weighted average exercise price	Vested outstanding per 12/31/2018	Weighted average exercise price	Weighted average remaining life vested
0.00-0.51	64 872	3.50	2.70	0.51	14 833	0.51	3.50
0.51-7.50	-	0.00	0.00	0.00	-	0.00	0.00
7.50-15.04	834 872	5.35	0.85	11.07	316 829	11.48	4.78
15.04-21.50	1 201 298	5.30	0.97	18.29	252 785	21.06	2.64
21.50-25.00	2 040 248	3.91	0.32	23.57	1 378 360	24.07	3.45
25.00-37.60	111 014	3.44	0.07	36.58	104 970	37.17	3.33
37.60-	-	-	0.00	0.00	-	0.00	0.00
Total	**4 252 304**	**4.56**	**0.63**	**19.61**	**2 067 777**	**22.27**	**3.55**

At 31 December 2017, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

	Outstanding options				Vested outstanding		
Exercise price	Outstanding options Per 12/31/2017	Weighted average remaining contractual life	Weighted average remaining years until	Weighted average exercise price	Vested outstanding per 12/31/2017	Weighted average exercise price	Weighted average remaining life vested
0.00-0.51	64 872	4.50	3.47	0.51	14 833	0.51	4.50
0.51-7.50	-	0.00	0.00	0.00	-	0.00	0.00
7.50-15.04	612 000	5.86	1.06	11.47	161 071	11.48	5.82
15.04-21.50	502 250	3.88	0.54	21.14	275 334	21.28	2.33
21.50-25.00	2 176 498	4.91	0.80	23.55	778 289	25.00	3.52
25.00-37.60	111 014	4.44	0.14	36.58	101 014	37.60	4.25
37.60-	-	0.00	0.00	0.00	-	0.00	0.00
Total	**3 466 634**	**4.91**	**0.83**	**21.06**	**1 330 541**	**23.28**	**3.62**

From 1 January 2019 to 9 April 2019 additional 949,000 share options were granted to Management Team and other employees, see Note 23 Events after the reporting date.

Restricted Stock Units

The Board of directors may choose to receive their remuneration, or parts thereof, in the form of restricted stock units (RSUs). If the Board members choose to receive the Board remuneration in RSUs they must choose to either (i) receive 100% of the compensation in RSUs, (ii) receive 1/3 of the compensation in cash and 2/3 in RSUs, or (iii) receive 2/3 of the compensation in cash and 1/3 in RSUs.

The number of RSUs to be granted to the members of the Board of Directors is calculated as the NOK amount of the RSU opted portion of total compensation to the Board member, divided by the market price of the Targovax ASA share. The market price is calculated as the volume weighted average share price the 10 trading days prior to the grant date. The RSUs will be non-transferrable and each RSU will give the right and obligation to acquire shares in Targovax ASA (at nominal value) subject to satisfaction of the applicable vesting conditions. When the RSUs have vested, the participant must during the following three-year period select when to take delivery of the shares.

The total compensation to each member of the Board of Directors for the period between the AGM 2018-2019 have been set out in the minutes from the Annual General Meeting 11 April 2018. The Annual General Meeting 11 April 2018 decided to remunerate the Board of Directors for the period between the AGM 2018 to the AGM 2019 with a combination of cash and Restricted Stock Units (RSUs), hence at the 11 April 2018, additional 87,598 RSU's were granted to the Board of Directors.

The expensed RSUs in 2018 and 2017 was NOK 1.4 million and NOK 0.9 million. A total of 200 428 RSUs was outstanding at 31 December 2018.

The following table shows the changes in outstanding RSUs in 2018 and 2017:

	2018		2017	
	No. of RSU's	Weighted avg. exercise price (in NOK)	No. of RSU's	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	119 411	0.10	129 991	0.10
Granted during the period	87 598	0.10	54 685	0.10
Exercised during the period	-6 581	0.10	-61 795	0.10
Forfeited	-	-	-3 470	0.10
Expired	-	-	-	-
Outstanding no. of Restricted Stock Units at end of period	**200 428**	**0.10**	**119 411**	**0.10**

From 1 January 2019 to 9 April 2019 no RSUs have been granted to Board of Directors.

12. Other operating expenses

Expenditure on Other operating expenses is recognized in the statement of profit or loss as an expense in the period in which it is incurred.

Amounts in NOK thousands	**2018**	**2017**
Consultancy, advisors' expenses and IR	11 391	12 652
Travel expenses	4 775	4 154
Facilities expenses	4 630	4 433
IT services and IT-related accessories	1 713	1 537
Conferences and training	907	805
Other	2 045	2 361
Depreciation	308	296
Government Grants	-80	-124
Total operating expenses	**25 688**	**26 114**

13. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Group´s financial assets are: trade receivables, governmental grant receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Groups financial assets at amortised cost includes trade receivables, governmental grant receivables and other short-term deposit. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

- the Group has transferred substantially all the risks and rewards of the asset, or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial assets at amortized cost

Currently, all the Group's financial assets are categorized as receivables. As at 31 December 2018 and 2017 the Group have TNOK 7 and TNOK 14 in trade receivables, TNOK 5 263 and TNOK 4 955 in government grant receivables and the Group have TNOK 3 699 and TNOK 3 713 in short-term deposits. The Group has currently not recognized any non-current financial assets.

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Derivatives are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Loans, borrowings and payables

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.

Payables are measured at their nominal amount when the effect of discounting is not material.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Liabilities at amortized cost (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. See note 21 Interest-bearing debt and 22 Current liabilities for information about Business Finland loans.

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

Finance income is:

Amounts in NOK thousands	2018	2017
Interest income on bank deposit	41	202
Interest income on Money Market fund, Nordea Likviditet III	1 501	1 151
Interest income on tax repaid	12	14
Net currency gain - bank and other operating items	1 514	93
Other finance income	-	194
Total finance income	**3 068**	**1 654**

Finance expense is:

Amounts in NOK thousands	2018	2017
Interest expense – Business Finland Loan	603	588
Amortized interest costs - Business Finland Loan	3 589	3 320
Other interest expense	125	83
Other finance expense	1	11
Total finance expense	**4 317**	**4 001**

14. 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. 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 336 million at 31 December 2018 (31 December 2017: NOK 270 million).

Accumulated tax losses from Targovax OY's operations amounts to EUR 22.9 million as of 31 December 2018 and EUR 20.6 million as of 31 December 2017. With a current tax rate in Finland of 20%, the corresponding deferred tax asset is EUR 4.6 million as at 31 December 2018 and EUR 4.1 million as at 31 December 2017. Targovax OY 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. Targovax OY 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, per 31 December 2018 of NOK 59,6 million and per 31 December 2017 of NOK 59.3 million.

The tax effects of temporary differences and tax losses carried forward at 31 December are as follows:

Amounts in NOK thousands	2018	2017
Intangible and fixed assets	293 686	290 541
Borrowings	9 554	13 351
Other current liabilities	-	-
Share options and RSUs	-172	-468
Financial instruments	-278	49
Tax loss carried forward	-567 496	-504 470
Temporary differences and tax losses carried forward at 31.12	-264 706	-200 998
Temporary differences and tax losses carried forward at 31.12 not recognized	**562 868**	**497 860**
Deferred tax asset (22%/20%) not recognized	**119 935**	**107 713**
Deferred tax asset 31.12.	**-**	**-**
Recognized temporary differences at 31.12	**298 162**	**296 862**
Deferred tax liability 31.12	**59 632**	**59 350**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits of the consolidated entities as follows:

Amounts in NOK thousands	2018	2017
Loss before income tax	**-147 349**	**-122 273**
Tax calculated at domestic rate (23%) / (24%)	-33 890	-29 346
Tax effect permanent differences	2 217	-519
Tax effect of change in tax rates	3 366	2 718
Change in deferred tax asset not recognized	25 908	28 396
Effect on different tax rates in countries in which the Group operates	2 065	-921
Tax income / expense (-)	**334**	**328**

15. 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. Amortization on items of Intangible assets will be amortized using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Research costs are recognized in the statement of profit or loss as incurred. Internal development costs related to the Group's development of products are recognized in the statement of profit or loss 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.

Intangible assets consist of:

- Patents and license fees with estimated useful live of 10 years
- Capitalized value related to the acquisition of Oncos Therapeutics OY, not subject to amortization before market authorization is obtained

Amounts in NOK thousands	Patents and licence fees	Oncos Therapeutics OY acqusition	Total
Cost:			
2017			
Opening balance	279	338 141	338 420
Additions	-	-	-
Exchange differences	4	28 060	28 064
At 31 December 2017	283	366 201	366 484
2018			
Opening balance	283	366 201	366 484
Additions	-	-	-
Exchange differences	0	4 019	4 019
At 31 December 2018	283	370 220	370 503
Accumulated depreciation and impairment:			
2017			
Opening balance	207	-	207
Depreciation charge	27	-	27
At 31 December 2017	235	-	235
2018			
Opening balance	235	-	235
Depreciation and impairment	28	-	28
At 31 December 2018	263	-	263
Carrying amount:			
At 31 December 2017	**48**	**366 201**	**366 250**
At 31 December 2018	**20**	**370 220**	**370 240**

As of 31 December 2018, the recognized intangible assets in the Group amounts to NOK 370 million. This is an increase from NOK 366 million as of 31 December 2017, mainly due to NOK/EUR foreign exchange fluctuations. The main part of the intangible assets is derived from the acquisition of Oncos Therapeutics OY which was completed in July 2015 and 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.

The value of the intangible assets is estimated using a model of discounted cash flows. As the valuation is sensitive to the outcome of a set of assumptions, the results from the valuation is limited to only ensure sufficient certainty for the recognized amount in the financial statement and is not be considered as a complete valuation of the full potential of ONCOS-102.

Targovax's is currently conducting clinical trials in multiple cancer indications. ONCOS-102 has been tested for impairment in those cancer indications with the most mature path-to-market outlook and strategy. Mesothelioma is ONCOS-102's targeted path-to-market indication, where the virus is currently being tested in a randomized phase II trial, with a phase Ib safety lead-in cohort.

A discounted cash flow model is in its nature uncertain, especially for an early stage compound like ONCOS-102. Key model assumptions are based on parameters observed in the market today, as well as management's own predictions and financial forecasts.

Results and sensitive analysis

The impairment test indicated that the value of the intangible assets exceeds the book value.

The table below shows how the value 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	-85 MNOK / +95 MNOK
Sales price	+/- 1% point	+11 MNOK / -11 MNOK
Likelihood of approval	+/- 1% point	+106 MNOK / -106 MNOK

These sensitivities do not change the conclusion that the value of the intangible assets exceeds the book value. The impairment test is sensitive to ONCOS-102 likelihood of approval. If the product does not receive approval the valuation will be 0. If the product is approved the value will increase significantly other assumptions unchanged. Assumed likelihood of approval is based on the product's current phase in its development and statistics for drug development during the last ten years.

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 are 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 with estimated useful live of 5 years. No impairment losses have been recognized.

As part of Targovax OY's lease of offices in Finland, the landlord agreed to finance the construction works and machinery and equipment purchases made by Targovax OY 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).

Amounts in NOK thousands	Furniture, fittings and equipment	Total
Cost		
2017		
Opening balance	1 676	1 676
Additions	56	56
Exchange differences	79	79
At 31 December 2017	1 810	1 810
2018		
Opening balance	1 810	1 810
Additions	-	-
Exchange differences	4	4
At 31 December 2018	1 814	1 814
Accumulated depreciation and impairment:		
2017		
Opening balance	376	376
Depreciation charge	269	269
At 31 December 2017	646	646
2018		
Opening balance	646	646
Depreciation and impairment charge	280	280
At 31 December 2018	926	926
Carrying amount:		
At 31 December 2017	1 165	1 165
At 31 December 2018	889	889

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 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 2018, expires on 31 December 2020. The agreement is non-cancellable until 31 December 2018 and expected minimum payment in 2019 is NOK 1.8 million (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 2018 is NOK 1.8 million and for 2017 it was NOK 1.7 million.

The Group also rents premises in Helsinki, Finland for office and laboratory purposes. The rent is approximately NOK 2.2 million (EUR 232 000) per annum (excl VAT). As part of the lease, the landlord agreed to finance the construction works and machinery and equipment purchases made by Targovax OY 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). Recognized lease expenses for 2018 is NOK 2.2 million and for 2017 it was NOK 2.1 million.

The future minimum rents related to non-cancellable leases for premises fall due as follows:

Amounts in NOK thousands	Within 1 year	1 to 5 years	After 5 years	Total
Rental agreement for premises in Helsinki	2 385	1 590		3 975
Rental agreement for premises in Oslo	1 764			1.764
Other rental agreements	173	83		255
Total	**4 321**	**1 673**		**5 994**

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.

Implementation of IFRS 16 Lease

The Group will implement the new standard effective 1 January 2019. IFRS 16 will replace existing leases guidance, including IAS 17 'Leases', and sets out the principles for recognition and measurement of leases. See Note 2.3 Adoption of new and revised IFRS standards for further details.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term (less than 12 months) and low-value leases.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption.

The impact of changes in accounting policies

Identifying a lease

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine

whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the right to direct he use of the asset
- The supplier does not have a substantive right to substitute the asset throughout the period of use

Separating components in the lease contract

For contracts that constitutes, or contains a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then account's for each lease component within the contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. If an observable stand-alone price is not readily available, the Group estimates this price by maximising the use of observable information.

Recognition of leases and exemptions

At the lease commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognizes the lease payments as Other operating expenses in the statement of profit or loss when they incur.

Measuring the lease liability

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Group is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group do not include variable lease payments in the lease liability arising from contracted index regulations subject to future events, such as inflation. Instead, the Group recognizes these costs in profit or loss in the period in which the event or condition that triggers those payments occurs.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

Group presents its lease liabilities as separate line items in the statement of financial position.

Measuring the right-of-use asset

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the Group

- An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The Group applies the depreciation requirements in IAS 16 *Property, Plant and Equipment* in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. The Group has elected to not apply the revaluation model for its right of use asset for leased buildings.

The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Group presents it's right-of-use assets as separate line items in the consolidated statement of financial position.

Impact of the initial application of IFRS 16

The Group has made an analysis where the Group has non-cancellable operating lease commitments of NOK 7.8 million at 1 January 2019. Of these commitments, NOK 0.10 million relate to short-term leases and NOK 0.2 million relate to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognize right-of-use assets of approximately NOK 7.0 million on 1 January 2019 and lease liabilities of NOK 7.0 million (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018).

The Group expects that operating profit/loss increase by approximately NOK 0.3 million and net profit after tax will decrease by approximately NOK 0.1 million for 2019 as a result of adopting the new rules.

Operating cash flows will increase, and financing cash flows decrease by approximately NOK 4.1 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

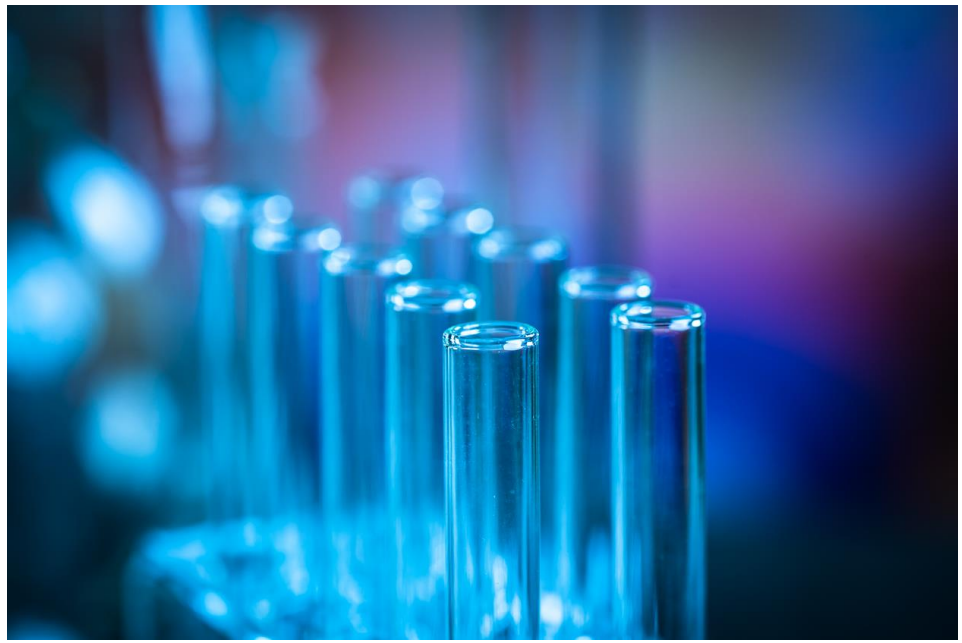
The impact on the date of initial application is further presented below:

Amounts in NOK thousands

Reconciliation of lease commitments to lease liabilities	**01.01.2019**
Non-cancellable operating lease commitments at 31 December 2018	5 994
+ Extension options reasonably certain to be exercised	1 764
- Practical expedient related to short-term leases	-98
- Practical expedient related to low-value leases	-158
- Discounting using the incremental borrowing rate	-496
Lease liabilities recognized at initial application	**7 005**
The weighted average incremental borrowing rate applied:	**8**%
Right-of-use assets recognized at initial application	**7 005**

Impact of the initial application of IFRS 16:

Amounts in NOK thousands	01.01.2019	Effects from IFRS 16	31.12.2018
ASSETS			
Intangible assets	370 240		370 240
Property, plant, and equipment	889		889
Right-of-use assets	7 005	7 005	
Total non-current assets	**378 134**	**7 005**	**371 128**
Receivables	15 320		15 320
Cash and cash equivalents	151 189		151 189
Total current assets	**166 509**	**-**	**166 509**
TOTAL ASSETS	**544 643**	**-**	**537 637**
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	5 262		5 262
Share premium reserve	821 131		821 131
Other reserves	41 239		41 239
Retained earnings	-522 481		-522 481
Translation differences	29 546		29 546
Total equity	**374 696**	**-**	**374 696**
Non-current liabilities			
Interest-bearing liabilities	43 933		43 933
Deferred tax	59 632		59 632
Lease liabilities	7 005	7 005	
Total non-current liabilities	**110 570**	**7 005**	**103 565**
Current liabilities			
Interest-bearing liabilities	9 127		9 127
Accounts payable and other current liabilities	12 372		12 372
Accrued public charges	3 370		3 370
Other short-term liabilities	34 508		34 508
Total current liabilities	**59 377**	**-**	**59 377**
TOTAL EQUITY AND LIABILITIES	**544 643**	**7 005**	**537 637**



18. Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional. Loans and receivables carried at amortized cost are recognized at the transaction price plus direct transaction expenses. The Group's Financial asset receivables mainly comprise short-term deposits for office leases and receivable from government grants in the Statement of financial position, see Note 8 Government grants for further information of the recognition of grants in the statement of profit or loss. Other receivables comprise VAT receivables and prepaid expenses.

Amounts in NOK thousands	2018	2017
Trade receivables	7	14
Receivable government grants	5 263	4 955
Short-term deposits	3 699	3 713
Financial asset receivables	**8 969**	**8 683**
Other receivables	6 351	5 937
Total receivables	**15 320**	**14 620**

19. 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.

Amounts in NOK thousands	2018	2017
Bank deposits	63 537	107 422
Money Market fund, Nordea Likviditet III	87 652	154 151
Total cash and cash equivalents	**151 189**	**261 573**

Restricted cash specification:

Amounts in NOK thousands	2018	2017
Income tax withholding from employee	2 504	2 356
Rent deposits [1]	3 450	3 467
Other [1]	249	247
Total restricted cash	**6 203**	**6 070**

1 Classified as Receivables.

20. Share capital and shareholder information

Targovax raised NOK 200 million in a private placement in second quarter 2017. The transaction was approved by the General Assembly on 30 June 2017. Following the private placement, the company completed a subsequent offering, raising proceeds of NOK 6 million, through a share issue of 323 268 shares at NOK 20.00 per share.

Share capital as at 31 December 2018 is 5 261 644.8 (31 December 2017: 5 260 986.7) comprising 52 616 448 ordinary shares at nominal value NOK 0.10 (31 December 2017: 52 609 867 at NOK 0.10). All shares carry equal voting rights.

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

	2018	2017
Ordinary shares at beginning of period	52 609 867	42 190 800
Share issuance - private placement and repair offering	-	10 323 268
Share issuance, employee share options and RSUs	6 581	95 799
Ordinary shares at end of period	**52 616 448**	**52 609 867**

The 20 largest shareholders are as follows at 31 December 2018:

Shareholder	# shares	%
HealthCap	12 405 584	23.6 %
Radiumhospitalets Forskningsstiftelse	4 427 255	8.4 %
VPF Nordea Kapital	1 490 338	2.8 %
VPF Nordea Avkastning	1 296 164	2.5 %
Nordnet Bank AB	1 190 434	2.3 %
Nordnet Livsforsikring AS	1 187 446	2.3 %
Thorendahl Invest AS	1 150 000	2.2 %
Verdipapirfondet KLP AksjeNorge	966 275	1.8 %
Danske Bank AS	826 643	1.6 %
Prieta AS	720 000	1.4 %
Verdipapirfondet Nordea Norge Plus	686 203	1.3 %
Kommunal Landspensjonskasse	675 464	1.3 %
Timmuno AS	661 580	1.3 %
Nordea 1 SICAV	658 925	1.3 %
Sundt AS	500 000	1.0 %
Avanza Bank AB	284 985	0.5 %
Meyerløkka AS	275 000	0.5 %
Citigroup Global Markets Inc.	269 603	0.5 %
NHO - P667AK	257 780	0.5 %
Lillesund	250 297	0.5 %
20 largest shareholders	**30 179 976**	**57.4 %**
Other shareholders (3 978)	22 436 472	42.6 %
Total shareholders	**52 616 448**	**100.0 %**

The 20 largest shareholders are as follows at 31 December 2017:

Shareholder	# shares	%
HealthCap	12 405 584	23.6 %
Radiumhospitalets Forskningsstiftelse	4 427 255	8.4 %
VPF Nordea Kapital	1 750 754	3.3 %
VPF Nordea Avkastning	1 556 582	3.0 %
Nordnet Livsforsikring AS	1 500 108	2.9 %
Verdipapirfondet KLP AksjeNorge	1 130 855	2.1 %
Thorendahl Invest AS	1 000 000	1.9 %
Nordnet Bank AB	871 209	1.7 %
Statoil Pensjon	855 171	1.6 %
Danske Bank AS	820 104	1.6 %
Kommunal Landspensjonskasse	802 252	1.5 %
Euroclear Bank S.A./N.V.	730 266	1.4 %
Timmuno AS	724 650	1.4 %
Prieta AS	720 000	1.4 %
Verdipapirfondet Nordea Norge Plus	712 903	1.4 %
Nordea 1 SICAV	656 600	1.2 %
Sundt AS	550 000	1.0 %
Lillesund	350 000	0.7 %
KLP AksjeNorge Indeks	347 833	0.7 %
Avanza Bank AB	305 717	0.6 %
20 largest shareholders	**32 217 843**	**61.2 %**
Other shareholders (4 061)	20 392 024	38.8 %
Total shareholders	**52 609 867**	**100.0 %**

Earnings per share

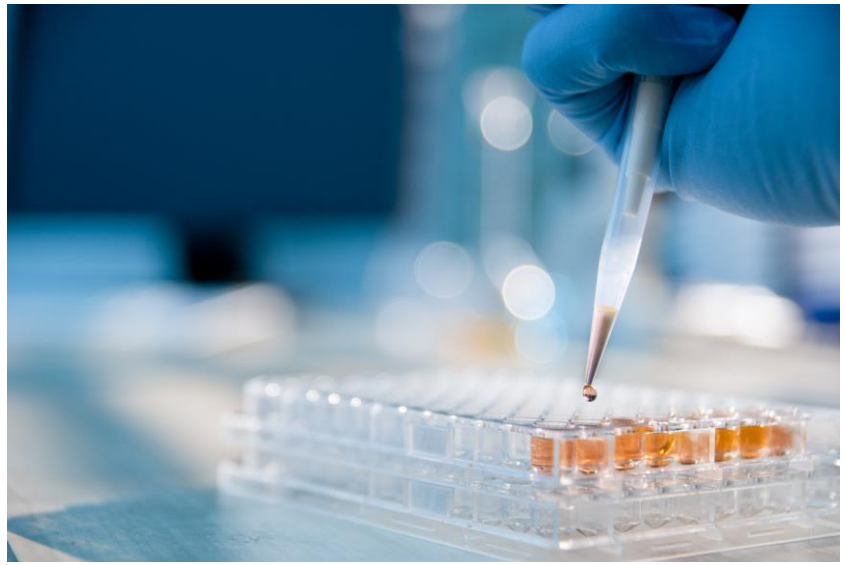
Earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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.

Amounts in NOK thousands	2018	2017
Loss for the period	-147 015	-121 945
Average number of outstanding shares during the	52 612	47 254
Earnings/ loss per share - basic and diluted	-2.79	-2.58

Share options and RSUs issued have a potential dilutive effect on earnings per share.

Share options and RSUs shall be treated as dilutive only 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. Hence, no dilutive effect has yet been recognized.



21. 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 initially be 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, Targovax could only raise funds from the owners or/and from venture capitalists at 8% rate or from the Government at 1% rate. Targovax 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 Business Finland 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 statement of profit or loss. The separated government grant is booked as a reduction of operating expenses in the statement of profit or loss in the period when it has been received.

Business Finland is a publicly financed funding agency that finances research and development activities for young innovative companies in Finland. The Finnish trade promotion organization and the Finnish Funding Agency for Technology and Innovation (TEKES) united as Business Finland in 2018.

The Group has received three R&D loans from Business Finland, for the commercialization of ONCOS-102, under loan agreements dated September 2010, January 2012 and December 2013, respectively, in the total outstanding amount of EUR 6.3 million as of 31 December 2018 (EUR 6 .3 million as of 31 December 2017). An additional loan approval of EUR 0.3 million was granted to one of the existing Business Finland loans during 2017, hence a grant element of EUR 0.09 million (NOK 0.9 million) was recognized in 2017. EUR 0.9 million of the total debt EUR 6.3 million is short-term as per 31 December 2018. The Group is applying for an extension of the repayment-free period.

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 have 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 Business Finland loans described above the Company applied the transitional exemptions for first time adopters under IFRS 1. Consequently, Business Finland loans granted prior to 1 January 2013 were not adjusted to fair value. In the purchase price allocation from the 2015 acquisition of Oncos, 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 NOK 9.3 million and a carrying amount of NOK 33.6 million in the statement of financial position at the acquisition date. Based on the effective interest rate method, an increase in interest expense of TNOK 3.6 million has been recorded in the statement of profit or loss and other comprehensive income as at 31 December 2018, and NOK 3.3 million as at 31 December 2017.

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 Business Finland for the repayment obligation of Oncos Therapeutics OY under the R&D loans. The loan agreements include no financial covenants.

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

Changes in liabilities arising from financing activities *(Amounts in NOK thousands)*	Interest-bearing liabilities Business Finland loans
Interest-bearing liabilities 1 January 2017	**39 714**
Cash flow from financing activities	-
Exchange differences	4 181
Additions financial liabilities	2 992
Other transactions without cash settlement	1 919
Interest-bearing liabilities 31 December 2017	**48 806**
Cash flow from financing activities	-
Exchange differences	554
Additions financial liabilities	-
Other transactions without cash settlement	3 699
Interest-bearing liabilities 31 December 2018	**53 059**

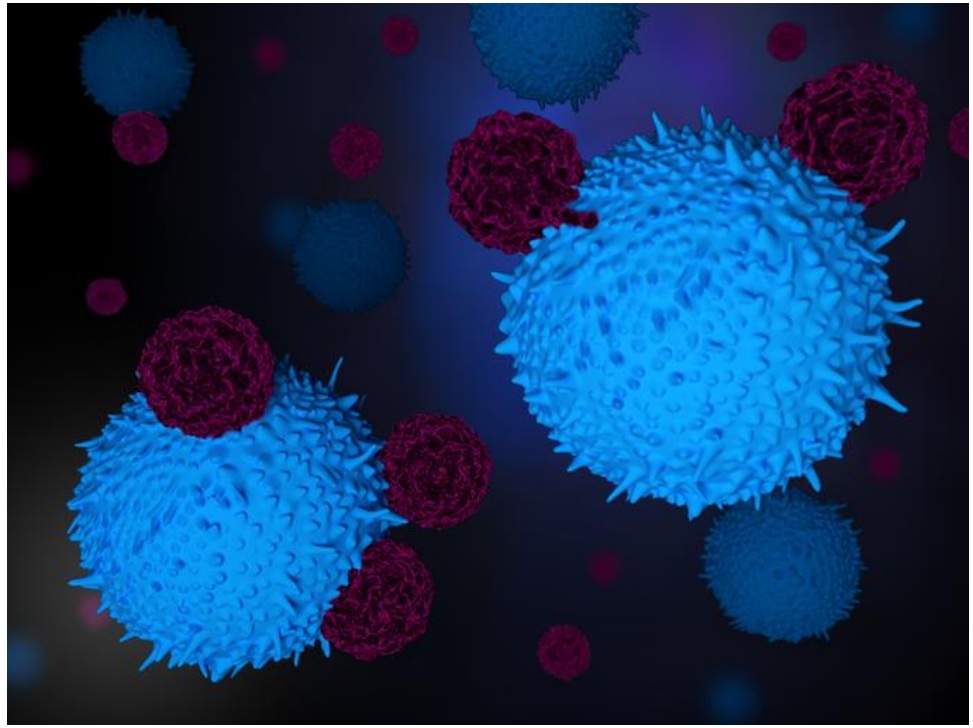
NOK 9,1 million of the total debt 53.1 million is short-term as per 31 December 2018.

22. Current liabilities

The Group's financial liabilities consist of the short-term part of the EUR 6 316 600 loan from Business Finland (see note 21 Interest-bearing debt), 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	2018	2017
Interest-bearing liabilities	9 127	-
Trade and other payables	12 372	7 601
Financial liabilities	**21 498**	**7 601**
Other liabilities [1]	37 878	20 693
Total current liabilities	**59 377**	**28 294**

[1] The increase in Accruals for expenses from 2017 to 2018 is mainly due to increased research and development activities



23. Events after the reporting date

Post-period highlights

In January 2019, Targovax announced that the European Patent Office has granted a European Patent which protects Targovax's mutant-RAS specific neoantigen peptides, mutant RAS specific T-cells and vaccines TG01 and TG02, for the treatment of cancer in combination with chemotherapies. This extends Intellectual property (IP) protection of TG01 and TG02 into 2034.

In February 2019, Targovax announced that the first patient has been treated in the dose expansion cohort of the ONCOS-102 trial in melanoma.

In February 2019, Targovax announced that the US Patent and Trademark Office (USPTO) has issued a Notice of Allowance on the patent application No. 15/461837. The allowed patent protects the composition of matter of Targovax's mutant-RAS specific neoantigen peptides and vaccines TG02 and TG03.

In March 2019, Targovax announced that it has granted a freedom-to-operate (FTO) license to Zelluna Immunotherapy for the development of mutant RAS T cell receptor (mutRAS TCRs) therapies. Through the development of the TG neoantigen vaccine program, Targovax has established a significant patent portfolio and know-how in therapies targeting mutant RAS cancers. In addition to covering the TG vaccine program, these patents and know-how are also highly relevant in T cell therapy. Under the license agreement, Zelluna has been granted a global, non-exclusive license to relevant Targovax patents and know-how, for which Targovax will be compensated financially. The potential deal value amounts to NOK 100 million in milestones and annual fees, in addition to royalties on sales and sub-licensing revenues. Zelluna will retain full rights to, and freedom to operate (FTO) for, its portfolio of mutRAS TCRs and will be responsible for the development of these.

In March 2019, Targovax announced that it has entered into an agreement with The Parker Institute for Cancer Immunotherapy (PICI) and the Cancer Research Institute (CRI) for a clinical collaboration with Targovax' TG mutant RAS vaccine (TG). Under the agreement, PICI, CRI and Targovax plan to set up one or more clinical trials with TG, in combination with other immuno-oncology treatments and chemotherapy, in late stage pancreatic cancer. PICI will be the sponsor and responsible for running the clinical trials and scientific analyses, CRI and PICI co-organize the immunotherapy experts, and Targovax will be responsible for TG supply. Targovax may also contribute by partial cost sharing of the trial(s). The design of the first clinical trial is currently under discussion.

In March 2019, Targovax announced that a Private Placement has been successfully completed, raising gross proceeds of approximately NOK 74 million (USD 9 million) through the allocation of 10,521,973 new shares (the "New Shares") at a subscription price of NOK 7.0 per share. The Private Placement took place through an accelerated bookbuilding process after close of market on 21 March 2019. The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in Norway and the US.

Please see section Important events after balance sheet date in the Director's report for further details.

Share options

On the basis of the approval by the Annual General Meeting in April 2018 the Board has resolved to issue further 949,000 new options to employees of the Company. From 1 January 2019 to 9 April 2019 a total of 600,000 options for shares of the Company were distributed amongst the members of the key management and a total of 349,000 options for shares of the Company were distributed amongst other employees.

The following table shows the changes in outstanding options at 9 April 2019 and 31 December 2018:

	1 Jan-9 Apr 2019		1 Jan – 31 Dec 2018	
	No. of options	Weighted avg.exercise price (NOK)	No. of options	Weighted avg.exercise price (NOK)
Outstanding at 1 January	4 252 304	19.61	3 466 634	21.06
Granted during the period	949 000	7.74	1 429 000	15.95
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-449 582	17.83
Expired during the period	-	-	-193 748	22.63
Outstanding no. of options at end of period	**5 201 304**	**17.45**	**4 252 304**	**19.61**

The following table shows the exercised, granted and outstanding options for shares to Key Management of the Group at 9 April 2019:

		Options		
Name	Position	Outstanding 31.12.2018	Granted 02.01.2019	Outstanding 09.04.2019
Key management:				
Øystein Soug	Chief Executive Officer	1 010 000	150 000	1 160 000
Magnus Jäderberg	Chief Medical Officer	760 000	80 000	840 000
Anne Kirsti Aksnes	VP, Clinical Development	353 000	70 000	423 000
Erik Digman Wiklund	Chief Business Officer	300 000	130 000	430 000
Torbjørn Furuseth	Chief Financial Officer	200 000	100 000	300 000
Berit Iversen	VP, CMC	195 000	70 000	265 000
Total option for shares to key management of the Group		**2 818 000**	**600 000**	**3 418 000**
Board of directors:				
Robert Burns	Board member	21 235	-	21 235
Total option for shares to the Board of Directors of the Group		**21 235**	**-**	**21 235**

TARGOVAX ASA 2018

Accounts and notes

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Statement of profit or loss Targovax ASA

Amounts in NOK thousands expect per share	*Note*	2018	2017
Other revenues	6,10	14 671	10 416
Total revenue		**14 671**	**10 416**
External R&D expenses	7,8	-20 817	-14 889
Payroll and related expenses	7,8,9,10,11	-48 264	-43 451
Other operating expenses	7,8,12,16,17	-20 221	-21 019
Total operating expenses		**-89 302**	**-79 359**
Operating profit/loss (-)		**-74 632**	**-68 943**
Finance income	13	2 995	1 653
Finance expense	13	-123	-81
Net finance income (expense)		**2 872**	**1 571**
Loss before income tax		**-71 760**	**-67 372**
Income tax expense	14		
Loss for the period		**-71 760**	**-67 372**
Earnings/loss (-) per share			
Basic and dilutive earnings/loss (-) per share	20	-1.36	-1.43

Statement of comprehensive income Targovax ASA

Amounts in NOK thousands expect per share data	2018	2017
Income/loss (-) for the period	-71 760	-67 372
Items that may be reclassified to profit or loss:		
Exchange differences arising from the translation of foreign		
Total comprehensive income/loss (-) for the period	**-71 760**	**-67 372**

Statement of financial position
Targovax ASA

Amounts in NOK thousands	*Note*	31.12.2018	31.12.2017
ASSETS			
Investments in subsidiaries	15	418 825	373 618
Property, plant, and equipment	16	95	167
Total non-current assets		**418 920**	**373 784**
Receivables	8,10,13,18	17 708	11 629
Cash and cash equivalents	19	140 998	244 477
Total current assets		**158 706**	**256 106**
TOTAL ASSETS		**577 627**	**629 890**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	20	5 262	5 261
Share premium reserve		821 131	821 161
Other reserves		36 656	25 681
Retained earnings		-313 130	-241 371
Total equity		**549 919**	**610 732**
Current liabilities			
Accounts payable and other current liabilities	21	6 286	5 281
Accrued public charges	21	3 209	2 933
Other short-term liabilities	21	18 213	10 944
Total current liabilities		**27 708**	**19 158**
TOTAL EQUITY AND LIABILITIES		**577 627**	**629 890**

Oslo, 9 April 2019
The Board of Directors of Targovax ASA

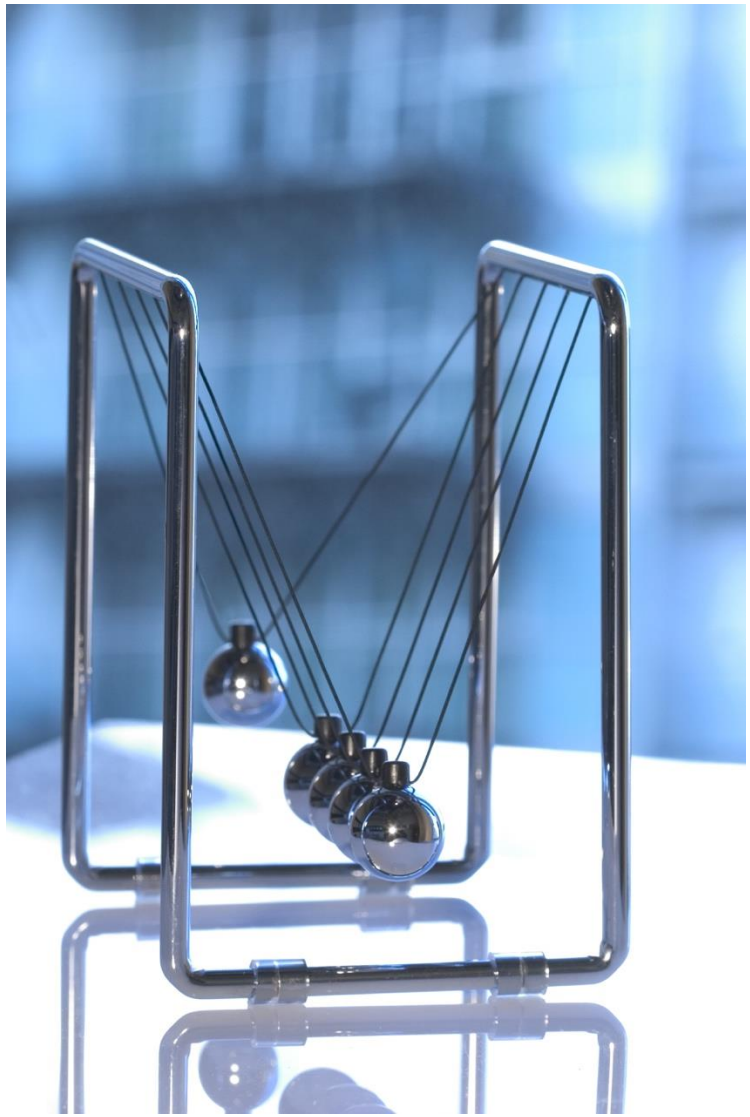
Patrick Vink Chairperson of the Board	Bente-Lill Romøren Board member	Johan Christenson Board member
Eva-Lotta Coulter Board member	Diane Mellett Board member	Per Samuelsson Board member
Catherine Wheeler Board member	Robert Burns Board member	Øystein Soug Chief Executive Officer

Statement of changes in equity – Targovax ASA

Amounts in NOK thousands	*Note*	Share capital	Share premium	Other reserves	Retained earnings (accumulated losses)	Total equity
Balance as 31 December 2016		4 219	627 796	14 375	-173 999	472 391
Loss for the period					-67 372	-67 372
Other comprehensive income/loss, net of tax						
Total comprehensive income for the period					**-67 372**	**-67 372**
Issue of ordinary shares - Capital increase - Private Placement and repair offering	20	1 032	205 433			206 465
Transaction costs - Private Placement and repair offering			-12 256			-12 256
Share issuance, employee share options	20	10	189			198
Recognition of share-based payments & RSU's	11	-		11 306		11 306
Balance at 31 December 2017		**5 261**	**821 161**	**25 681**	**-241 371**	**610 732**
Loss for the period					-71 760	-71 760
Other comprehensive income/loss, net of tax						-
Total comprehensive income for the period					**-71 760**	**-71 760**
Share issuance, employee share options	20	1	-30	-	-	-30
Recognition of share-based payments & RSU's	11	-		10 976	-	10 976
Balance at 31 December 2018		**5 262**	**821 131**	**36 656**	**-313 130**	**549 919**

Statement of cashflow – Targovax ASA

Amounts in NOK thousands	*Note*	2018	2017
Cash flow from operating activities			
Loss before income tax		-71 760	-67 372
Adjustments for:			
Finance income	13	-2 995	-1 653
Finance expense	13	123	81
Interest received	13	1 549	1 364
Other finance expense	13	-51	-81
Share option expense	11	10 976	11 306
Depreciation	12	71	71
Change in receivables	18	-19 572	-10 084
Change in other current liabilities	21	8 550	-2 054
Net cash flow from /(used in) operating activities		**-73 110**	**-68 421**
Cash flow from investing activities			
Purchases of property, plant, and equipment (PPE)			
Investment in subsidiary	15	-31 714	-39 611
Net cash received from/(paid in) investing activities		**-31 714**	**-39 611**
Cash flow from financing activities			
Share issue expense - Private Placement and repair offering	20		-12 256
Proceeds from issuance of shares -Private Placement and repair offering	20		206 465
Proceeds from exercise of options	20	-30	198
Net cash generated from financing activities		**-30**	**194 407**
Net increase/(decrease) in cash and cash equivalents		-104 853	86 375
Net exchange gain/loss on cash and cash equivalents		1 375	419
Cash and cash equivalents at beginning of period		244 477	157 683
Cash and cash equivalents at end of period	19	**140 998**	**244 477**



1. General information

The Company, Targovax ASA, is a Norwegian public limited liability company and the address of the registered office is Lilleakerveien 2C, 0283 Oslo, Norway.

Targovax (OSE:TRVX) is a clinical stage biotechnology company developing immune activators to target hard-to-treat solid tumors. Immuno-oncology is currently one of the fastest growing therapeutic fields in medicine.

Targovax's lead product candidate, ONCOS-102, is a genetically modified oncolytic adenovirus, which has been engineered to selectively infect and replicate in cancer cells. It has been shown to activate the immune system to generate tumor-specific immune responses. In phase I trials, ONCOS-102 induced both local and systemic innate and adaptive immune activation, which has been associated with clinical benefit. ONCOS-102's targeted path-to-market indication is mesothelioma, where the virus is currently being tested in a randomized phase II trial. Another trial, in checkpoint inhibitor refractory advanced melanoma, is expected to produce important proof-of-concept immune activation data in heavily pre-treated patients.

Targovax is also developing a neoantigen cancer vaccine targeting tumors with oncogenic RAS–mutations, which are known to drive cancer. The TG vaccine program has shown strong RAS-specific immune activation and a signal of clinical efficacy in a 32-patient trial with TG01 in resected pancreatic cancer. A next generation product candidate, TG02 is currently tested in a phase I trial in colorectal cancer, both as monotherapy and in combination with Keytruda (an anti-PD1 check point inhibitor).

These financial statements have been approved for issue by the Board of Directors on 9 April 2019 and are subject to approval by the Annual General Meeting in April 2019.

2. Summary of significant accounting principles

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.

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.

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 exchange rate at the date of the transaction. The date of a transaction is the date on which the transaction first qualifies for recognition in accordance with International Financial Reporting Standards. Any exchange differences are recognized in statement of 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 2018 and earlier have been adopted for all periods presented in these financial statements.

In 2018 the Company implemented the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018.

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

None of the new standards, revised standards, amended standards or interpretations have a material impact on the Company's overall results and financial position.

Standards and interpretations in issue but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 Lease:
IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The Company will apply the standard from its mandatory adoption date of 1 January 2019. Please see note 17 Lease for the Company's exact impact of the new standard.

2.4 Going concern

As a result of the private placement in the first quarter 2019 and the current liquidity situation, Targovax's Directors expect that the Company has available financial resources sufficient for all planned activities, in the next twelve months as of 9 April 2019. The Company 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.

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 statement of profit or loss, with a corresponding adjustment to equity. The estimated turnover rate for unvested share options is 0 percent for all share option plans. See Note 11 Share-based compensation.

Estimated value of 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 statement of profit or loss. 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. See Note 15 Investments in subsidiaries.

Deferred tax asset

A deferred tax asset shall be recognized for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

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 14 Taxes.

4. Segments

The Company's activities during 2018 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.

5. Financial instruments and risk management objectives and policies

The Company's financial assets and liabilities comprise cash at bank and cash equivalents, 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.

The following table demonstrates the Company's sensitivity to a 1 percent point change in interest rates on cash and cash equivalents at 31 December 2018 and 2017:

	2018		2017	
Amounts in NOK thousands	1% point increase	1% point decrease	1% point increase	1% point decrease
Loss before income tax effect	1 410	-1 410	2 445	-2 445

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, USD, GBP and CHF. The Company hedges foreign currency by aligning the cash positions with future expected currency outflows. The Company does not have derivatives for hedge accounting at year-end.

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 2018 and 2017.

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

	2018		2017	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	1 862	- 1862	961	-961

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

	2018		2017	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	1 106	-1 106	1 030	-1 030

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

	2018		2017	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	462	-462	-168	168

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

	2018		2017	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	-207	207	-79	79

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:

	2018		2017		Rating
Amounts in NOK thousands	Amount	In %	Amount increase	In %	
Cash at bank:	53 346	38%	90 326	37%	
Nordea Bank AB	53 345	38%	90 321	37%	**AA-**
DNB Bank ASA	2	0%	5	0%	**AA-**
Money market funds:	**87 652**	**62%**	**154 151**	**63%**	
Nordea Likviditet III	87 652	62%	154 151	63%	
Total	**140 998**	**100%**	**244 477**	**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.

	2018		2017	
Amounts in NOK thousands	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	17 708	17 708	11 629	11 629
Cash and cash equivalents	140 998	140 998	244 477	244 477
Total financial assets	**158 706**	**158 706**	**256 106**	**256 106**
Accounts payable and other current liabilities	6 286	6 286	5 281	5 281
Accrued public charges	3 209	3 209	2 933	2 933
Other short-term liabilities	18 213	18 213	10 944	10 944
Total financial liabilities	**27 708**	**27 708**	**19 158**	**19 158**

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, after the private placement in the first quarter 2019, sufficient cash available to meet its obligations as at 31 December 2018 and related to planned activities in the next 12 months. Hence, the Company is funded into 2020, and will need new funding for the next phases of the development program and subsequent clinical trials. 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 following tables analyses the Company's current and non-current financial liabilities, at 31 December 2018 and 2017 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 2018

(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	-	6 286	-	-	-	6 286
Accrued public charges	-	3 209	-	-	-	3 209
Other short-term liabilities	-	18 213	-	-	-	18 213
Total	**-**	**27 708**	**-**	**-**	**-**	**27 708**

At 31 December 2017

(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	-	5 281	-	-	-	**5 281**
Accrued public charges	-	2 933	-	-	-	**2 933**
Other short-term liabilities	-	10 944	-	-	-	**10 944**
Total	**-**	**19 158**	**-**	**-**	**-**	**19 158**

6. Revenue recognition

Revenue comprises the fair value of consideration received or due consideration for the sale of services in regular business activities. Revenue from providing services is recognized in the accounting period in which the services are rendered. Revenue is presented net of value added tax

Amounts in NOK thousands	**2018**	**2017**
Revenue from subsidiary	14 671	10 401
Other revenue	-	15
Total operating revenue	14 671	10 416

The Company's products are still in the research and development phase, and it has no revenue from sales of products yet.

7. External research and development expenses

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

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 the marketing authorization is obtained from regulatory authorities. This assessment requires significant management discretion and estimations.

The following table gives an overview of the Company's research and development expenditures compared to the total operating expenses:

	2018		**2017**	
Amounts in NOK thousands	Total	Of which R&D	Total	Of which R&D
External R&D expenses	20 817	20 817	14 889	14 889
Payroll and related expenses	48 264	26 295	43 451	22 125
Other operating expenses	20 221	785	21 019	942
Total	**89 302**	**47 898**	**79 359**	**37 956**

The model for calculation of the R&D share of Payroll and related expenses was changed during fourth quarter 2018. This results in changes in the R&D share of Payroll and related expenses for comparative periods throughout the years 2018 and 2017 (reported as NOK 25,8 million in the 2017 Annual report).

The following external research and development expenditures have been expensed:

Amounts in NOK thousands	**2018**	**2017**
R&D related consultancy and other expenses	19 146	12 126
Cost of manufacturing for R&D	1 914	4 779
Patent expenses	3 834	1 500
Government grants	-4 077	-3 516
Total external research and development expenses	**20 817**	**14 889**

8. 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 statement of profit or loss 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 External R&D expenses or Other operating expenses.

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

Amounts in NOK thousands	**2018**	**2017**
External R&D expenses	4 077	3 516
Payroll and related expenses	1 105	1 315
Other operating expenses	80	124
Total grants	**5 263**	**4 955**

For the full year 2018 the Company has, for SkatteFUNN projects, recognized NOK 5.2 million (NOK 5.0 million in 2017) as cost reduction in External R&D expenses, Payroll and related expenses and Other operating expenses.

In 2018, NOK 0.02 million (NOK 0 million in 2017) is recognized as cost reduction in Other operating expenses in relation to a grant from the Research Council of Norway, related to project related travel expenses.

Specification of grants receivables:

Amounts in NOK thousands	**2018**	**2017**
Grants from SkatteFUNN	5 243	4 955
Grants from the Research Council of Norway	20	-
Total grants receivable	**5 263**	**4 955**

9. Payroll and related expenses

Payroll and related expenses are recognized in the statement of profit or loss 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 applies 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 statement of profit or loss in the period to which the contributions relate.

Bonus scheme

In 2018 Targovax implemented a bonus system covering all employees.

The Company recognizes a liability and an expense for bonuses based on a short-term incentive plan for employees linked to achievement of corporate objectives as well as individual objectives determined by the Board. See note 10 Related parties and Management.

Total payroll and related expenses for the Company are:

Amounts in NOK thousands	**2018**	**2017**
Salaries and bonus	30 972	26 334
Employer's national insurance contributions	4 507	4 286
Share-based compensation [1)]	10 976	11 306
Pension expenses – defined contribution plan	1 383	1 270
Other	1 530	1 515
Governmental grants	-1 105	-1 261
Total payroll and related expenses	**48 264**	**43 451**
1) Share-based compensation has no cash effect.		
Number of employees calculated on a full-time basis as at end of	20.6	21.7
Number of employees as at end of period	21	22

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.

10. Related parties and Management

As there are no differences between the Group and the Company concerning Management Team remunerations, please see Note 10 Related parties and Management in the Group's consolidated financial statements. See Note 10 Related parties and Management and 11 Share-based compensation for accounting principle for payroll and related expenses and equity-settled share-based payments in the Company's financial statements.

Related party transactions:

	2018		**2017**	
Amounts in NOK thousands	Revenue (expense)	Receivable (Payable) at 31	Revenue (expense)	Receivable (Payable) at 31
Subsidiaries:				
expense related to subsidiaries	-481		-690	
receivables related to subsidiaries		7 917		3 309
revenue related to subsidiaries	14 671		10 401	

Remuneration to the statutory auditor (excl. VAT):

Amounts in NOK thousands	**2018**	**2017**
Statutory audit	225	270
Other attestation services	-	50
Tax services	210	197
Other services	153	106
Total	**588**	**623**

11. 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 statement of profit or loss, with a corresponding adjustment to equity. Changes to the estimates may significantly influence the expense recognized during a period.

Share options

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.

At the Annual General Meeting in April 2017 the Board was authorized to increase the Company’s share capital in connection with share incentive arrangements by up to the lower of (a) NOK 800 000 and (b) 10% of the Company's outstanding shares, options and RSU's. A renewed authorization was given at the Ordinary general meeting in April 2018.

The Company has granted share options under its long-term incentive program (the “LTI Option Program”). The Option Program applies to the Management Team 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”).

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.

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

There were granted 1 429 000 share options during 2018 and 1 277 000 share options during 2017.

As of 31 December 2018, there are in total 4 252 304 outstanding options for all option programs, 4 161 896 options under the LTI Option Program and 90 408 options under the IPR Option Program.

Fair value of the options has been calculated at grant date. The fair value of the options was calculated using the Black-Scholes model. The expected volatility for options issued in 2018 and 2017 is estimated at average of 76,66% and 78,39 %%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2018 and 2017 is 1,11% and 0,84%.

The following table shows the changes in outstanding options in 2018 and 2017:

	2018		2017	
	No. of options	Weighted avg. exercise price (in NOK)	No. of options	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	3 466 634	21.06	2 513 170	20.93
Granted during the period	1 429 000	15.95	1 277 000	21.53
Exercised during the period	-	-	-34 004	5.65
Forfeited	-449 582	17.83	-75 000	20.42
Expired	-193 748	22.63	-214 532	25.00
Outstanding no. of options at end of	**4 252 304**	**19.61**	**3 466 634**	**21.06**

1) See Note 10 Related parties and Management for further information on granted share options to Management Team.

The average fair value of options granted in 2018 was 8.53 per share and 11.58 per share in 2017. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2018 and 2017 were:

Amounts in NOK thousands	2018	2017
Volatility (%)	76.66	78.39
Expected life (in years)	3.65	3.65
Risk-free interest rate (%)	1.11	0.84
Share price (NOK)	15.85	21.32
Exercise price (NOK)	15.95	21.53

The expensed share options, NOK 10.6 million in 2018 (Targovax ASA: NOK 9.6 million and Targovax OY: NOK 1.0 million) and NOK 11.3 million in 2017 (Targovax ASA: NOK 10.4 million and Targovax OY: NOK 0.9 million), includes management estimate for employee turnover. The estimated turnover rate used for the year 2018 and 2017 was 0%.

At 31 December 2018, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

	Outstanding options				Vested outstanding		
Exercise price	Outstanding options Per 12/31/2018	Weighted average remaining contractual life	Weighted average remaining years until	Weighted average exercise price	Vested outstanding per 12/31/2018	Weighted average exercise price	Weighted average remaining life vested
0.00-0.51	64 872	3.50	2.70	0.51	14 833	0.51	3.50
0.51-7.50	-	0.00	0.00	0.00	-	0.00	0.00
7.50-15.04	834 872	5.35	0.85	11.07	316 829	11.48	4.78
15.04-21.50	1 201 298	5.30	0.97	18.29	252 785	21.06	2.64
21.50-25.00	2 040 248	3.91	0.32	23.57	1 378 360	24.07	3.45
25.00-37.60	111 014	3.44	0.07	36.58	104 970	37.17	3.33
37.60-	-	-	0.00	0.00	-	0.00	0.00
Total	**4 252 304**	**4.56**	**0.63**	**19.61**	**2 067 777**	**22.27**	**3.55**

At 31 December 2017, the range of exercise prices and weighted average remaining contractual life of the options were as follows:

	Outstanding options				Vested outstanding		
Exercise price	Outstanding options Per 12/31/2017	Weighted average remaining contractual life	Weighted average remaining years until	Weighted average exercise price	Vested outstanding per 12/31/2017	Weighted average exercise price	Weighted average remaining life vested
0.00-0.51	64 872	4.50	3.47	0.51	14 833	0.51	4.50
0.51-7.50	-	0.00	0.00	0.00	-	0.00	0.00
7.50-15.04	612 000	5.86	1.06	11.47	161 071	11.48	5.82
15.04-21.50	502 250	3.88	0.54	21.14	275 334	21.28	2.33
21.50-25.00	2 176 498	4.91	0.80	23.55	778 289	25.00	3.52
25.00-37.60	111 014	4.44	0.14	36.58	101 014	37.60	4.25
37.60-	-	0.00	0.00	0.00	-	0.00	0.00
Total	**3 466 634**	**4.91**	**0.83**	**21.06**	**1 330 541**	**23.28**	**3.62**

From 1 January 2019 to 9 April 2019 additional 949,000 share options were granted to Management Team and other employees, see Note 22 Events after the reporting date.

Restricted Stock Units

The Board of directors may choose to receive their remuneration, or parts thereof, in the form of restricted stock units (RSUs). If the Board members choose to receive the Board remuneration in RSUs they must choose to either (i) receive 100% of the compensation in RSUs, (ii) receive 1/3 of the compensation in cash and 2/3 in RSUs, or (iii) receive 2/3 of the compensation in cash and 1/3 in RSUs.

The number of RSUs to be granted to the members of the Board of Directors is calculated as the NOK amount of the RSU opted portion of total compensation to the Board member, divided by the market price of the Targovax ASA share. The market price is calculated as the volume weighted average share price the 10 trading days prior to the grant date. The RSUs will be non-transferrable and each RSU will give the right and obligation to acquire shares in Targovax ASA (at nominal value) subject to satisfaction of the applicable vesting conditions. When the RSUs have vested, the participant must during the following three-year period select when to take delivery of the shares.

The total compensation to each member of the Board of Directors for the period between the AGM 2018-2019 have been set out in the minutes from the Annual General Meeting 11 April 2018. The Annual General Meeting 11 April 2018 decided to remunerate the Board of Directors for the period between the AGM 2018 to the AGM 2019 with a combination of cash and Restricted Stock Units (RSUs), hence at the 11 April 2018, additional 87 598 RSU's were granted to the Board of Directors.

The expensed RSUs in 2018 and 2017 was NOK 1.4 million and NOK 0.9 million. A total of 200 428 RSUs was outstanding at 31 December 2018.

The following table shows the changes in outstanding RSUs in 2018 and 2017:

	2018		2017	
	No. of RSU's	Weighted avg. exercise price (in NOK)	No. of RSU's	Weighted avg. exercise price
Outstanding at 1 January	119 411	0.10	129 991	0.10
Granted during the period	87 598	0.10	54 685	0.10
Exercised during the period	-6 581	0.10	-61 795	0.10
Forfeited	-	-	-3 470	0.10
Expired	-	-	-	-
Outstanding no. of Restricted Stock Units at end of period	**200 428**	**0.10**	**119 411**	**0.10**

From 1 January 2019 to 9 April 2019 no RSUs have been granted to Board of Directors.

12. Other operating expenses

Expenditure on Other operating expenses is recognized in the statement of profit or loss as an expense in the period in which it is incurred.

Amounts in NOK thousands	**2018**	**2017**
Consultancy, advisors' expenses and IR	10 177	11 460
Travel expenses	3 900	3 569
Facilities expenses	2 279	2 230
IT services and IT-related accessories	1 288	1 010
Conferences and training	769	668
Other	1 817	2 135
Depreciation	71	71
Government Grants	-80	-124
Total operating expenses	**20 221**	**21 019**

13. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company´s financial assets are: governmental grant receivables and cash and cash equivalents.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade receivables, receivables from subsidiaries, governmental grant receivables and other short-term deposit. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

  a) the Company has transferred substantially all the risks and rewards of the asset, or

b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial assets at amortized cost

Currently, all the Company's financial assets are categorized as receivables. As at 31 December 2018 and 2017 the Company has TNOK 0 and TNOK 7 in trade receivables, TNOK 5 263 and TNOK 4 955 in government grant receivables and the Company has TNOK 977 and TNOK 1 021 in short-term deposits. The Company has currently not recognized any non-current financial assets.

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Derivatives are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Derivatives are financial liabilities when the fair value is negative, accounted for similarly as derivatives as assets.

Loans, borrowings and payables

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.

Payables are measured at their nominal amount when the effect of discounting is not material.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Liabilities at amortized cost (Loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

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. Finance income consists of interest income and foreign exchange gain. Finance expense mainly consists of interest expense and exchange loss.

Finance income is:

Amounts in NOK thousands	**2018**	**2017**
Interest income on bank deposit	36	202
Interest income on Money Market fund, Nordea Likviditet III	1 501	1 151
Interest income on tax repaid	12	12
Net currency gain - bank and other operating items	1 446	289
Total finance income	**2 995**	**1 653**

Finance expense is:

Amounts in NOK thousands	**2018**	**2017**
Other interest expense	122	71
Net currency loss - bank and other operating items	-	-
Other finance expense	1	11
Total finance expense	**123**	**81**

14. 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. 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 336 million at 31 December 2018 (31 December 2017: NOK 270 million).

No current or deferred tax charge or liability has been recognized for 2018.

The tax effects of temporary differences and tax losses carried forward at 31 December are as follows:

Amounts in NOK thousands	**2018**	**2017**
Fixed assets	-15	29
Share options and RSUs	-172	-468
Financial instruments	-278	49
Tax loss carried forward	-336 165	-270 227
Temporary differences and tax losses carried forward at 31.12	-336 629	-270 617
Deferred tax asset (22% (2017;23%)) not recognized	74 058	62 242
Deferred tax asset	-	-

Amounts in NOK thousands	**2018**	**2017**
Loss before income tax	**-71 760**	**-67 372**
Tax calculated at (23%) / (24%)	-16 505	-16 169
Tax effect permanent differences	1 322	-1 407
Tax effect of change in tax rates	3 366	2 718
Change in deferred tax not recognized	11 816	14 858
Tax expense	-	-

15. 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 statement of profit or loss. 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.

	Location	Year incorp.	Share capital	Ownership
Subsidiary:				
Targovax OY (prev. Oncos Therapeutics OY)	Helsinki, Finland	2015	EUR 4 035	100 %
Targovax Solutions LLC	Massachusetts, USA	2018	USD 1	100 %

Please see Note 15 Intangible assets and impairment test in the 2018 Annual report for the Targovax Group for further details on the excess value of the intangible assets related to the investment in Targovax OY.

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 are 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 of NOK 95 400 at 31 December 2018 and 166 586 at 31 December 2017 consist mainly of office equipment. No impairment losses have been recognized. No development costs have been recognized as assets as per 31 December 2018.

Amounts in NOK thousands	Furniture, fittings & equipment	Total
Cost:		
2017		
Opening balance	356	356
Additions	-	-
At 31 December 2017	356	356
2018		
Opening balance	356	356
Additions	-	-
At 31 December 2018	356	356
Accumulated depreciation and impairment:		
2017		
Opening balance	118	118
Depreciation and impairment charge	71	71
At 31 December 2017	189	189
2018		
Opening balance	189	189
Depreciation and impairment charge	71	71
At 31 December 2018	261	261
Carrying amount:		
At 31 December 2017	**167**	**167**
At 31 December 2018	**95**	**95**

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 2017, expires on 31 December 2020. The agreement is non-cancellable until 31 December 2018 and expected minimum payment in 2019 is NOK 1.8 million (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 2018 is NOK 1.7 million and for 2017 it was NOK 1.7 million.

The future minimum rents related to non-cancellable leases for premises fall due as follows:

As at December 2018 *(Amounts in NOK thousands)*	**Within 1 year**	**1-5 years**	**After 5 years**	**Total**
Rental agreement for premises in Oslo	1 764	-	-	1 764
Other rental agreements	159			159
Total	**1 923**	**-**	**-**	**1 923**

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.

Implementation of IFRS 16 Lease

The Company will implement the new standard effective 1 January 2019. IFRS 16 will replace existing leases guidance, including IAS 17 'Leases', and sets out the principles for recognition and measurement of leases. See Note 2.3 Adoption of new and revised IFRS standards for further details.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term (less than 12 months) and low-value leases.

The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption.

The impact of changes in accounting policies

Identifying a lease

At the inception of a contract, The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The agreement creates enforceable rights of payment and obligations
- The identified asset is physically distinct
- It has the right to obtain substantially all of the economic benefits from use of the asset
- It has the right to direct he use of the asset
- The supplier does not have a substantive right to substitute the asset throughout the period of use

Separating components in the lease contract

For contracts that constitutes, or contains a lease, the Company separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Company then accounts for each lease component within the contract as a lease separately from non-lease components of the contract. The Company allocates the consideration in the contract to each lease component on the basis of the relative stand-

alone price of the lease component and the aggregate stand-alone price of the non-lease components. If an observable stand-alone price is not readily available, the Company estimates this price by maximising the use of observable information.

Recognition of leases and exemptions

At the lease commencement date, the Company recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Company recognizes the lease payments as Other operating expenses in the statement of profit or loss when they incur.

Measuring the lease liability

The lease liability is initially measured at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option to extend the lease when the Company is reasonably certain to exercise this option, and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Company under residual value guarantees
- The exercise price of a purchase option, if the Company is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The Company do not include variable lease payments in the lease liability arising from contracted index regulations subject to future events, such as inflation. Instead, the Company recognizes these costs in profit or loss in the period in which the event or condition that triggers those payments occurs.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

Company presents its lease liabilities as separate line items in the statement of financial position.

Measuring the right-of-use asset

The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs incurred by the Company
- An estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The Company applies the depreciation requirements in IAS 16 *Property, Plant and Equipment* in depreciating the right-of-use asset, except that the right-of-use asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the right-of-use asset. The Company has elected to not apply the revaluation model for its right of use asset for leased buildings.

The Company applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Company presents it's right-of-use assets as separate line items in the consolidated statement of financial position.

Impact of the initial application of IFRS 16

The Company has made an analysis where the Company has non-cancellable operating lease commitments of NOK 3.7 million at 1 January 2019. Of these commitments, NOK 0.1 million relate to short-term leases and NOK 0.1 million relate to low value leases which will both be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Company expects to recognize right-of-use assets of approximately NOK 3.3 million on 1 January 2019 and lease liabilities of NOK

3.3 million (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018).

The Company expects that operating profit/loss increase by approximately NOK 0.1 million and net profit after tax will decrease by approximately NOK 0.1 million for 2019 as a result of adopting the new rules.

Operating cash flows will increase, and financing cash flows decrease by approximately NOK 1.8 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities."

The impact on the date of initial application is further presented below:

Amounts in NOK thousands

Reconciliation of lease commitments to lease liabilities	**01.01.2019**
Non-cancellable operating lease commitments at 31 December 2018	1 923
+ Extension options reasonably certain to be exercised	1 764
- Practical expedient related to short-term leases	-98
- Practical expedient related to low-value leases	-61
- Discounting using the incremental borrowing rate	-256
Lease liabilities recognized at initial application	**3 271**
The weighted average incremental borrowing rate applied:	8 %
Right-of-use assets recognized at initial application	**3 271**

Impact of implementation of IFRS 16:

Amounts in NOK thousands	01.01.2019	Effects from IFRS 16	31.12.2018
ASSETS			
Investments in subsidiaries	418 825		418 825
Property, plant, and equipment	95		95
Right-of-use asset	3 271	3 271	
Total non-current assets	**422 191**	**3 271**	**418 920**
Receivables	17 708		17 708
Cash and cash equivalents	140 998		140 998
Total current assets	**158 706**	**-**	**158 706**
TOTAL ASSETS	**580 898**	**3 271**	**577 627**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	5 262		5 262
Share premium reserve	821 131		821 131
Other reserves	36 656		36 656
Retained earnings	-313 130		-313 130
Total equity	**549 919**	**-**	**549 919**
Non-current liabilities			
Leasing liabilities	3 271	3 271	
Total non-current liabilities	**3 271**	**3 271**	**-**
Current liabilities			
Accounts payable and other current liabilities	6 286		6 286
Accrued public charges	3 209		3 209
Other short-term liabilities	18 213		18 213
Total non-current liabilities	**27 708**	**-**	**27 708**
TOTAL EQUITY AND LIABILITIES	**580 898**	**3 271**	**577 627**

18. Receivables

A receivable represents the Company's right to an amount of consideration that is unconditional. Loans and receivables carried at amortized cost are recognized at the transaction price plus direct transaction expenses. The Company's Financial asset receivables mainly comprise short-term deposits for office leases, receivable from subsidiaries and government grants in the Statement of financial position, see Note 8 Government grants for further information of the recognition of grants in the statement of profit or loss. Other receivables comprise VAT receivables and prepaid expenses.

Amounts in NOK thousands	**2018**	**2017**
Trade receivables	-	7
Receivable from subsidiaries	7 917	3 309
Receivable government grants	5 263	4 955
Short-term deposits	977	1 021
Financial asset receivables	**14 157**	**9 292**
Other receivables	3 551	2 337
Total receivables	**17 708**	**11 629**

19. 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.

Amounts in NOK thousands	**2018**	**2017**
Bank deposits	53 346	90 326
Money Market fund, Nordea Likviditet III	87 652	154 151
Total cash and cash equivalents	**140 998**	**244 477**

Restricted cash specification:

Amounts in NOK thousands	**2018**	**2017**
Income tax withholding from employee compensation	2 504	2 356
Rent deposits [1]	977	1 021
Total restricted cash	**3 482**	**3 377**

1 Classified as Receivables.

20. Share capital and shareholder information

Targovax raised NOK 200 million in a private placement in second quarter 2017. The transaction was approved by the General Assembly on 30 June 2017. Following the private placement, the company completed a subsequent offering, raising proceeds of NOK 6 million, through a share issue of 323 268 shares at NOK 20.00 per share.

Share capital as at 31 December 2018 is 5 261 644.8 (31 December 2017: 5 260 986.7) comprising 52 616 448 ordinary shares at nominal value NOK 0.10 (31 December 2017: 52 609 867 at NOK 0.10). All shares carry equal voting rights.

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

	2018	2017
Ordinary shares at beginning of period	52 609 867	42 190 800
Share issuance - private placement and repair offering	-	10 323 268
Share issuance, employee share options and RSUs	6 581	95 799
Ordinary shares at end of period	**52 616 448**	**52 609 867**

The 20 largest shareholders are as follows at 31 December 2018:

Shareholder	# shares	%
HealthCap	12 405 584	23.6 %
Radiumhospitalets Forskningsstiftelse	4 427 255	8.4 %
VPF Nordea Kapital	1 490 338	2.8 %
VPF Nordea Avkastning	1 296 164	2.5 %
Nordnet Bank AB	1 190 434	2.3 %
Nordnet Livsforsikring AS	1 187 446	2.3 %
Thorendahl Invest AS	1 150 000	2.2 %
Verdipapirfondet KLP AksjeNorge	966 275	1.8 %
Danske Bank AS	826 643	1.6 %
Prieta AS	720 000	1.4 %
Verdipapirfondet Nordea Norge Plus	686 203	1.3 %
Kommunal Landspensjonskasse	675 464	1.3 %
Timmuno AS	661 580	1.3 %
Nordea 1 SICAV	658 925	1.3 %
Sundt AS	500 000	1.0 %
Avanza Bank AB	284 985	0.5 %
Meyerløkka AS	275 000	0.5 %
Citigroup Global Markets Inc.	269 603	0.5 %
NHO - P667AK	257 780	0.5 %
Lillesund	250 297	0.5 %
20 largest shareholders	**30 179 976**	**57.4 %**
Other shareholders (3 978)	22 436 472	42.6 %
Total shareholders	**52 616 448**	**100.0 %**

The 20 largest shareholders are as follows at 31 December 2017:

Shareholder	# shares	%
HealthCap	12 405 584	23.6 %
Radiumhospitalets Forskningsstiftelse	4 427 255	8.4 %
VPF Nordea Kapital	1 750 754	3.3 %
VPF Nordea Avkastning	1 556 582	3.0 %
Nordnet Livsforsikring AS	1 500 108	2.9 %
Verdipapirfondet KLP AksjeNorge	1 130 855	2.1 %
Thorendahl Invest AS	1 000 000	1.9 %
Nordnet Bank AB	871 209	1.7 %
Statoil Pensjon	855 171	1.6 %
Danske Bank AS	820 104	1.6 %
Kommunal Landspensjonskasse	802 252	1.5 %
Euroclear Bank S.A./N.V.	730 266	1.4 %
Timmuno AS	724 650	1.4 %
Prieta AS	720 000	1.4 %
Verdipapirfondet Nordea Norge Plus	712 903	1.4 %
Nordea 1 SICAV	656 600	1.2 %
Sundt AS	550 000	1.0 %
Lillesund	350 000	0.7 %
KLP AksjeNorge Indeks	347 833	0.7 %
Avanza Bank AB	305 717	0.6 %
20 largest shareholders	**32 217 843**	**61.2 %**
Other shareholders (4 061)	20 392 024	38.8 %
Total shareholders	**52 609 867**	**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.

Amounts in NOK thousands	**2018**	**2017**
Loss for the period	-71 760	-67 372
Average number of outstanding shares during the period	52 612	47 254
Earnings/ loss per share - basic and diluted	**-1.36**	**-1.43**

Share options and RSUs issued have a potential dilutive effect on earnings per share.

Share options and RSUs shall be treated as dilutive only 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. Hence, no dilutive effect has yet been recognized.

21. 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	**2018**	**2017**
Trade and other payables	6 286	5 281
Financial liabilities	**6 286**	**5 281**
Other liabilities[1]	21 422	13 877
Total current liabilities	**27 708**	**19 158**

[1] The increase in Accruals for expenses from 2017 to 2018 is mainly due to increased research and development activities

22. Events after the reporting date

Post-period highlights

In January 2019, Targovax announced that the European Patent Office has granted a European Patent which protects Targovax's mutant-RAS specific neoantigen peptides, mutant RAS specific T-cells and vaccines TG01 and TG02, for the treatment of cancer in combination with chemotherapies. This extends Intellectual property (IP) protection of TG01 and TG02 into 2034.

In February 2019, Targovax announced that the US Patent and Trademark Office (USPTO) has issued a Notice of Allowance on the patent application No. 15/461837. The allowed patent protects the composition of matter of Targovax's mutant-RAS specific neoantigen peptides and vaccines TG02 and TG03.

In March 2019, Targovax announced that it has granted a freedom-to-operate (FTO) license to Zelluna Immunotherapy for the development of mutant RAS T cell receptor (mutRAS TCRs) therapies. Through the development of the TG neoantigen vaccine program, Targovax has established a significant patent portfolio and know-how in therapies targeting mutant RAS cancers. In addition to covering the TG vaccine program, these patents and know-how are also highly relevant in T cell therapy. Under the license agreement, Zelluna has been granted a global, non-exclusive license to relevant Targovax patents and know-how, for which Targovax will be compensated financially. The potential deal value amounts to NOK 100 million in milestones and annual fees, in addition to royalties on sales and sub-licensing revenues. Zelluna will retain full rights to, and freedom to operate (FTO) for, its portfolio of mutRAS TCRs and will be responsible for the development of these.

In March 2019, Targovax announced that it has entered into an agreement with The Parker Institute for Cancer Immunotherapy (PICI) and the Cancer Research Institute (CRI) for a clinical collaboration with Targovax' TG mutant RAS vaccine (TG). Under the agreement, PICI, CRI and Targovax plan to set up one or more clinical trials with TG, in combination with other immuno-oncology treatments and chemotherapy, in late stage pancreatic cancer. PICI will be the sponsor and responsible for running the clinical trials and scientific analyses, CRI and PICI co-organize the immunotherapy experts, and Targovax will be responsible for TG supply. Targovax may also contribute by partial cost sharing of the trial(s). The design of the first clinical trial is currently under discussion.

In March 2019, Targovax announced that a Private Placement has been successfully completed, raising gross proceeds of approximately NOK 74 million (USD 9 million) through the allocation of 10,521,973 new shares (the "New Shares") at a subscription price of NOK 7.0 per share. The Private Placement took place through an accelerated bookbuilding process after close of market on 21 March 2019. The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in Norway and the US. Subject to the approval by the Annual General Meeting of the Company, a Subsequent Offering will take place 09:00 hours (CET) on 2 May 2019 and expire at 16:30 hours (CET) on 16 May 2019, consisting of an offer by the Company to issue up to 2,104,394 Offer Shares, raising approximately NOK 14.7 million in gross proceeds if all Offer Shares are issued.

Please see section Important events after balance sheet date in the Director's report for further details.

Share options

On the basis of the approval by the Annual General Meeting in April 2018 the Board has resolved to issue further 949,000 new options to employees of the Company. From 1 January 2019 to 9 April 2019 a total of 600,000 options for shares of the Company were distributed amongst the members of the key management and a total of 349,000 options for shares of the Company were distributed amongst other employees.

The following table shows the changes in outstanding options at 9 April 2019 and 31 December 2018:

	1 Jan – 9 Apr 2019		1 Jan – 31 Dec 2018	
	No. of options	Weighted avg.exercise price (NOK)	No. of options	Weighted avg.exercise price (NOK)
Outstanding at 1 January	4 252 304	19.61	3 466 634	21.06
Granted during the period	949 000	7.74	1 429 000	15.95
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-449 582	17.83
Expired during the period	-	-	-193 748	22.63
Outstanding no. of options at end of period	**5 201 304**	**17.45**	**4 252 304**	**19.61**

The following table shows the exercised, granted and outstanding options for shares to Key Management of the Group at 9 April 2019:

		Options		
Name	Position	Outstanding 31.12.2018	Granted 02.01.2019	Outstanding 09.04.2019
Key management:				
Øystein Soug	Chief Executive Officer	1 010 000	150 000	1 160 000
Magnus Jäderberg	Chief Medical Officer	760 000	80 000	840 000
Anne Kirsti Aksnes	VP, Clinical Development	353 000	70 000	423 000
Erik Digman Wiklund	Chief Business Officer	300 000	130 000	430 000
Torbjørn Furuseth	Chief Financial Officer	200 000	100 000	300 000
Berit Iversen	VP, CMC	195 000	70 000	265 000
Total option for shares to key management of the Group		**2 818 000**	**600 000**	**3 418 000**
Board of directors:				
Robert Burns	Board member	21 235	-	21 235
Total option for shares to the Board of Directors of the Group		**21 235**	**-**	**21 235**

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To the General Meeting of Targovax ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Targovax ASA, which comprise:

- The financial statements of the parent company Targovax ASA (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cashflow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Targovax ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. Impairment of intangible assets contain approximately the same complexity and risks as previous year and have been in focus for our audit also this year.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of intangible assets	
We refer to Note 15 where management explain recognition of intangible assets and impairment test. Following the acquisition of Oncos Therapeutics in 2015, most of the purchase price was allocated to intangible assets related to the ONCOS-102 virus-based immunotherapy platform. The asset has a book value of NOK 370 220 thousands as of 31 December 2018. The value of the intangible assets in the Group is highly dependent on successful development of commercial biotech products. The carrying amount of intangible assets represent a significant portion of total assets for the Group. No impairment loss on intangible assets were recognized in the statement of profit or loss for 2018. The intangible assets are still under development and do not yet generate revenue. The impairment test was based on a discounted cash flow method. Several of the assumptions, including discount rate (WACC), sales price, remaining development costs and likelihood of approval with the regulatory authorities were judgemental. We considered impairment of intangible assets for the Group to be a Key Audit Matter due to the significant amount the intangible assets represent in the consolidated statement of financial position and the level of management judgments related to assumptions in the impairment test.	We obtained management's impairment test. The test includes documentation about how management assessed cash-generating units (CGU's) and key assumptions applied by management. We satisfied ourselves that the impairment test contained the elements required by IFRS. We tested the mathematical accuracy of the impairment model. We challenged the assumptions applied by management related to calculation of revenues and compared the assumptions such as number of incidents, sales prices, and likelihood of approval with public available information and data from comparable companies. We found management's assumptions to be reasonable. We assessed the assumptions for remaining development costs used in the calculations by comparing them to internal budgets and forecasts. We found that the applied costs in the model are in line with budgets and forecasts. We evaluated the discount rate used by management by comparing its composition to empirical data for risk-free interest rate, relevant risk premium and debt ratio. Key assumptions used were benchmarked against external data and our own internal data. The discount rate applied is considered to be appropriate. In addition, we have performed analysis to evaluate how sensitive the model is to changes in the key assumptions which have been applied. We assessed that information about managements impairment test, including information about assumptions used and sensitivity analysis performed, was disclosed in notes to the consolidated financial statements and found the information to be appropriate.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

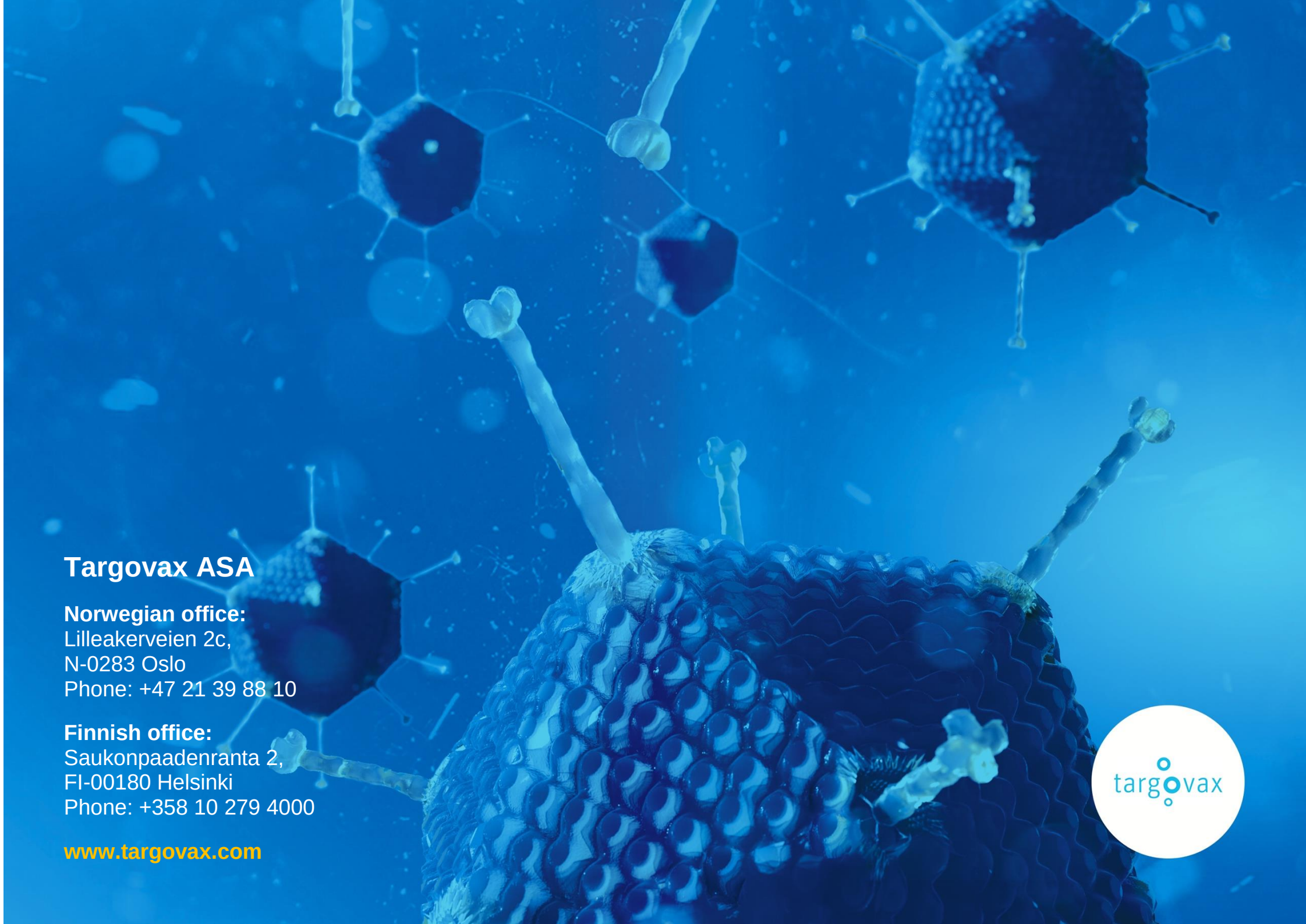
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result 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 management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 9 April 2019
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant



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