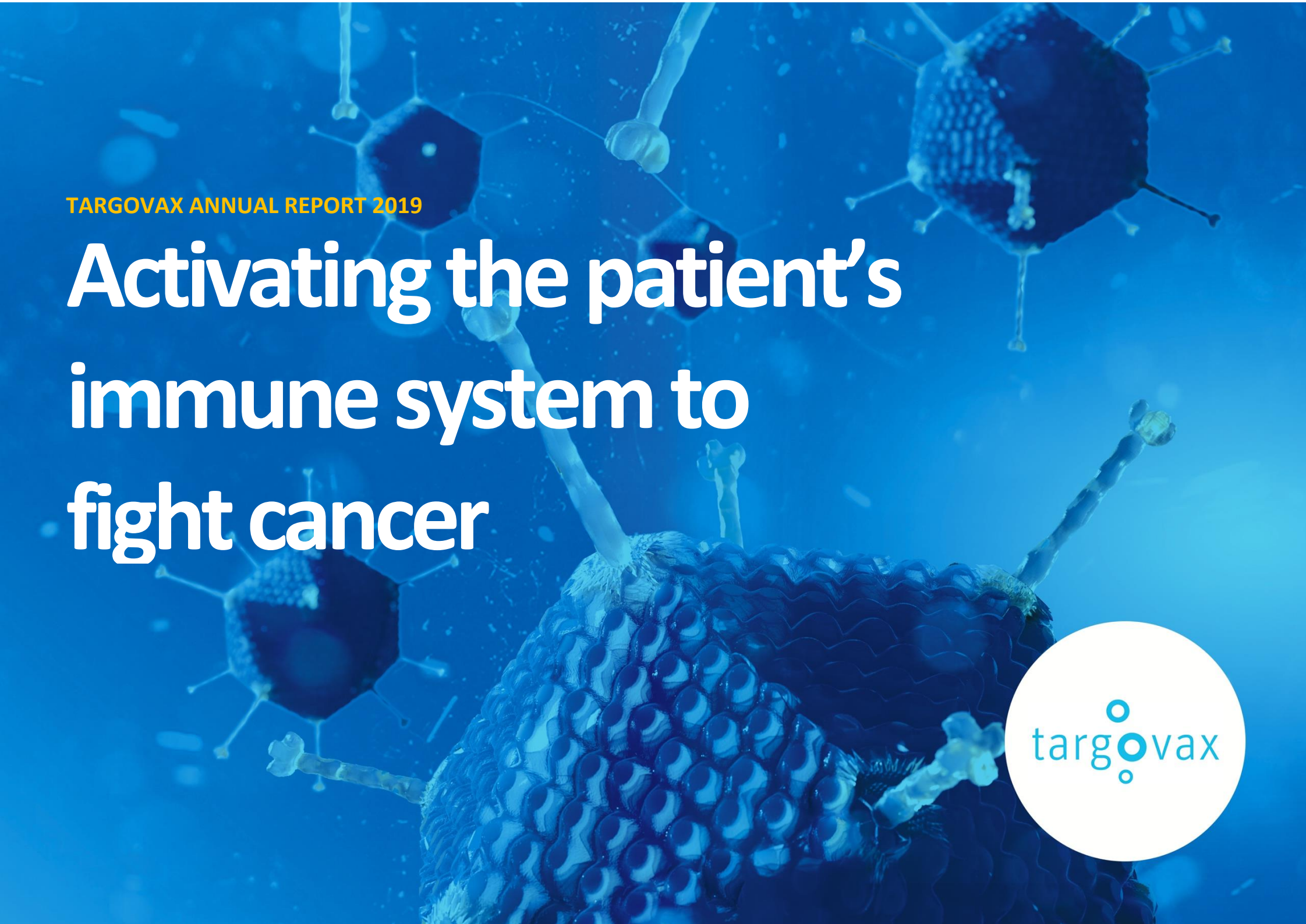


TARGOVAX ANNUAL REPORT 2019

Activating the patient's immune system to fight cancer

targovax

Targovax is a clinical stage immuno-oncology company developing oncolytic viruses to target hard-to-treat solid tumors

Contents

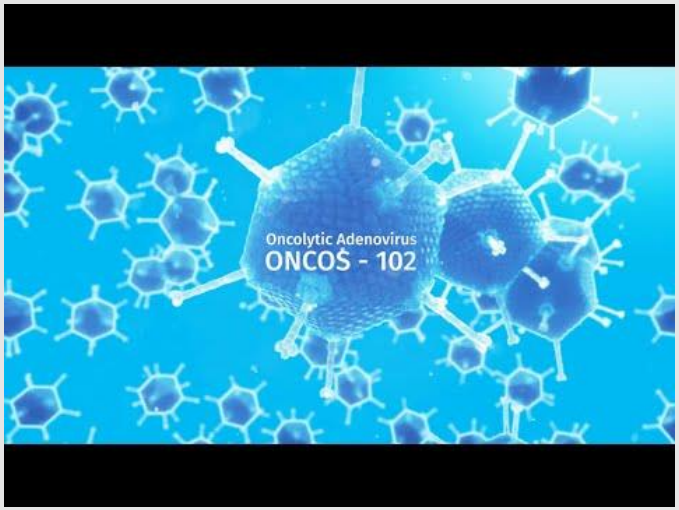
Immuno-oncology is one of the fastest growing therapeutic fields in medicine

About Targovax

Targovax (OSE:TRVX) is a clinical stage immuno-oncology company developing oncolytic viruses to target hard-to-treat solid tumors. Targovax's lead product candidate, ONCOS-102, is a genetically modified oncolytic adenovirus, which has been engineered to selectively infect cancer cells and activate the immune system to fight the cancer.

ONCOS-102 is currently being tested in mesothelioma, melanoma and peritoneal malignancies and has already shown promising clinical results both as monotherapy and in combination with chemotherapy, and a checkpoint inhibitor.

To learn more about ONCOS-102's mechanism of action, watch our latest video which is available either by clicking on the image below or via our website.



ONCOS-102

Lead product

Strong single agent data

Several upcoming data points

Innovative pipeline

Next generation virus platform in pre-clinical testing

CEO Statement

2019 marked an important milestone for Targovax as we started to see clinical efficacy with ONCOS-102 in combination with checkpoint inhibitors and chemotherapy. With the new data at hand, we have solidified our position as a leader in the oncolytic virus field. While we continue to treat patients and analyze data, we are preparing for the next steps of the ONCOS program beyond the ongoing trials.

Anti-PD1 CPI refractory melanoma

After a period of establishing and executing our clinical program, 2019 was the year where we started to collect and analyze the data from the phase I/II ONCOS combination trials. In July, we reported data from the nine patients in part 1 of our trial in anti-PD1 checkpoint inhibitor (CPI) refractory melanoma. This trial is important because it can show that ONCOS-102 can immune activate anti-PD1 refractory patients, trigger relevant T-cell production and enhance infiltration into the tumor so the patients again can benefit from treatment with CPI. Indeed, data showed robust immune activation in all patients, increased tumor T-cell infiltration in seven out of the nine patients. Three out of nine patients had confirmed tumor responses, including one patient with a complete response. Although patient number is low, these data are very encouraging and stack up favorably to similar studies in the same patient population.

There are currently no approved treatment options available for CPI resistant melanoma. Immune activators, such as ONCOS-102, hold great promise for patients to achieve deeper and longer lasting responses to checkpoint inhibitors, thus expanding the arsenal of treatment options to combat the most aggressive and resistant forms of melanoma. ONCOS-102 is already being recognized by the immunotherapy community, and we were very proud to be invited to present our melanoma data in a session for promising early phase combination trials at the Society of Immunotherapy in Cancer (SITC) Annual Meeting in November 2019.

Part 2 of this trial is testing an extended ONCOS-102 dosing regimen with up to twelve injections compared to three injections in part 1. Given the encouraging results in part 1, it will be very interesting to see whether more ONCOS-102 injections can generate even better tumor responses. In addition to the top US hospitals involved in part 1 of the trial, such as Memorial Sloan Kettering Cancer Center, we were very pleased that Oslo University Hospital joined the consortium and is now recruiting patients into part 2 of the trial. We expect to report the complete data set from both parts of the trial later in 2020.

Malignant pleural mesothelioma

In January 2020 we reported top-line data from the ONCOS-102 trial in malignant pleural mesothelioma (MPM) in combination with chemotherapy. As seen in the anti-PD1 checkpoint inhibitor (CPI) refractory melanoma trial, we observed robust immune activation following intra-tumoral ONCOS-102 injections. The combination treatment was well-tolerated with no safety concerns beyond what can be expected from chemotherapy alone. The efficacy data are early and still maturing, however, there is an indication of improved progression-free-survival (PFS) for patients treated with ONCOS-102, particularly in first line MPM patients. We continue to follow the patients and will report data later in 2020.

By generating safety, immune activation and efficacy data in combination with standard of care chemotherapy in MPM, ONCOS-102 is well positioned as a potential add-on to CPI and chemotherapy combination therapy. CPIs have proven highly effective in some lung cancers, but MPM has shown to be challenging. Together with a potential big pharma partner we are already making preparations for such a triple combination trial and will disclose more details as these plans mature.

Peritoneal malignancies

The combination trial with AstraZeneca's checkpoint inhibitor Imfinzi in peritoneal malignancies is also progressing well. This trial is run at six top US hospitals, treating patients with ovarian and colorectal cancer that has spread to the peritoneum, the inner lining of the abdomen. Patients with this condition have bad prognosis with few treatment alternatives. If ONCOS-102 can immune activate these patients, the use of CPIs can be expanded into this indication. This trial is financed and run by Cancer Research Institute (CRI) and Ludwig Cancer Research, and Targovax was selected to participate with ONCOS-102 as the virus of choice for this trial. The safety and dose escalation cohorts have now been completed without any concerns, and patient recruitment into the experimental part is ongoing. We hope data can be presented from this trial during 2020.

Next generation ONCOS viruses

In parallel with advancing the ONCOS-102 clinical development, we have generated the first pre-clinical results for the novel ONCOS-200 series viruses. These next generation adenoviruses are based on the ONCOS-102 backbone and have been engineered for increased DNA payload capacity and are armed with two distinct anti-tumor transgenes each, instead of the GM-CSF transgene incorporated into ONCOS-102. The transgenes have been selected to exert additional mechanistic activity to combat specific tumor phenotypes, including tumor growth and spread, T cell suppression, and dense tumor stroma. So far, we have validated the new constructs and demonstrated anti-cancer activity in cell lines and mouse models. The next step is to further investigate the mode of action, immune activation and biochemical activity of the ONCOS-200 viruses.

The mutRAS platform

Early in 2020, we announced that we have granted an option to license our mutant RAS vaccine technology (TG) for China, Taiwan, Hong Kong and Singapore to IOVaxis, a China based immunotherapy company focused on development of shared and personalized neoantigen vaccines. This is potentially an important partnership for Targovax, which may ensure continued clinical development and additional data to confirm the potential of the TG vaccines, as well as future financial income if the program is successful.

Targovax remains confident that mutRAS is an important and druggable target in cancer since we have been able to confirm clinically that we can induce immune responses consistent with encouraging clinical outcomes. Whilst the company has already decided not to finance further clinical development with the TG platform in its previous form, we continue to believe there could be novel immunological approaches to targeting mutRAS cancers. Consequently, we will continue to explore other avenues for academic and commercial partnerships to bring immunological targeting of mutRAS forward, whilst minimizing the impact on internal Targovax resources.

Looking forward

Oncolytic viruses are increasingly recognized as an important future class of immune activators, and Targovax has further strengthened the position as one of the leaders in this rapidly evolving field. The CPI and chemotherapy combination data from our melanoma and mesothelioma trials are very encouraging, and in the coming year these results will mature with more patients and longer follow-up periods. If the immune activation and efficacy signals we have seen hold up at the same or better levels, we will be able to move into later stage development to confirm the clinical activity and progress ONCOS-102 towards registration. The focus for 2020 will be to finalize and fully analyze the data from the melanoma and mesothelioma trials and make the necessary preparations to be ready to initiate follow-up studies.

Øystein Soug
CEO Targovax Group

Directors Report

After several years where the main priority for Targovax has been to establish and execute the phase I/II clinical program, the focus has now shifted to analyzing and interpreting clinical results from the completing trials and preparing for the next phase of development.

The most important milestone for the company in 2019 was the completion of part 1 of the CPI refractory melanoma trial. Although the patient number is small, the 33% response rate, one complete response and robust immune activation look very promising and warrants further development. The trial was expanded to a part 2 where an extended dosing regimen is tested in 12 additional patients. If the results are confirmed in the second part of the trial, there may be an opportunity to conduct a registrational trial as next step.

The ONCOS and chemotherapy combination in malignant pleural mesothelioma (MPM) shows encouraging signs of clinical activity in the first data set. MPM is an orphan disease with only one approved treatment option (pemetrexed/cisplatin chemotherapy). With few competing products in current clinical testing, this indication provides a strategically attractive development route for Targovax with an aim to register ONCOS-102 as first line treatment. While the clinical efficacy data matures and additional biomarker analyses become available to confirm encouraging early findings, Targovax is making preparations to move forward with a randomized phase II trial. This trial will add a CPI to the combination of ONCOS-102 and chemotherapy and will be designed to demonstrate the clinical benefit of ONCOS-102.

In May of 2019, Targovax made the strategic decision to halt direct investments in the TG mutant RAS neoantigen vaccine and focus all internal resources on advancing the ONCOS program with full force. Following this decision, management has been actively pursuing strategic alternatives for TG. The recent IOVaxis option agreement provides a platform to bring the program forward through clinical development in China and monetizes all the R&D efforts that has gone into bringing the TG vaccine to the current stage. In parallel, TG is being made available for investigator-initiated trials, and several discussions are ongoing with academic partners to enable such studies.

Following the strategic decision to become a focused oncolytic virus company, the organization has been realigned to reflect the current needs and priorities. A smaller and more streamlined organization is now in place, leading to a reduction in operating expenses. We believe we now have the right team in place to build on the ONCOS-102 momentum and advance the program into late stage development, as well as establishing the pre-clinical pipeline with the next generation of ONCOS viruses. 2020 is therefore poised to be a landmark year for the company both in terms of important data read outs and preparations towards a registrational program.

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 and colorectal cancer.

The Group's strategy is to:

- apply its proprietary immunotherapeutic technology 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 a novel proprietary platform:

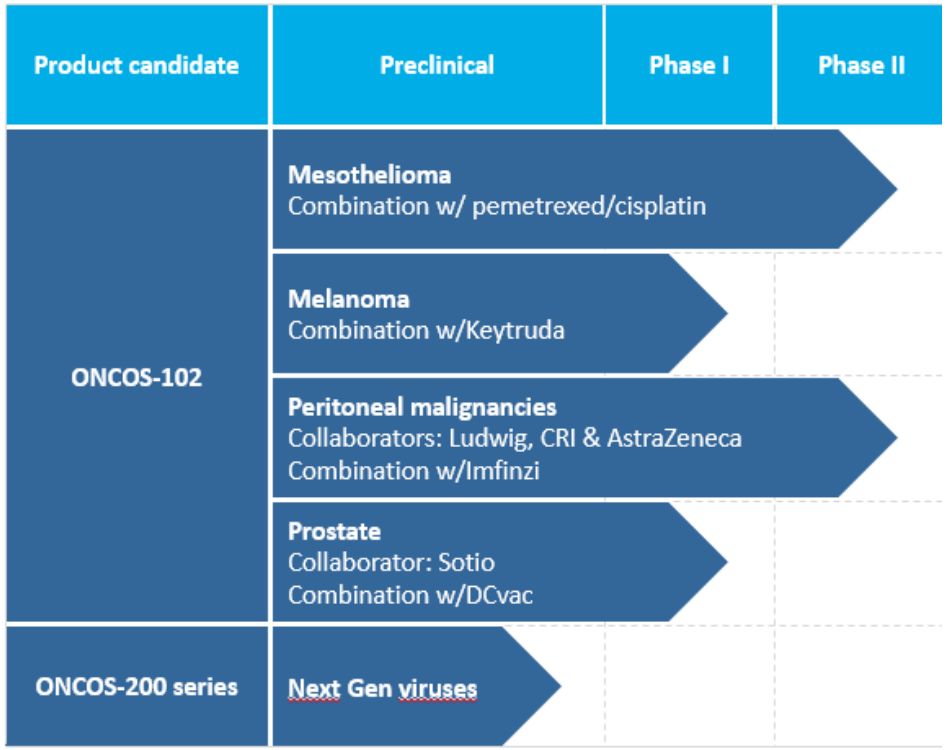
A virus-based immunotherapy platform (ONCOS) that utilizes engineered oncolytic viruses armed with potent immune-stimulating transgenes to target solid tumors. The aim is to (re)activate the patient's immune system to recognize and attack the patient's own cancer cells thus acting as a form of autologous or self-vaccination.

The treatment approach harnesses 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). ONCOS-102 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.

Clinical development programs

Targovax currently has four ongoing clinical trials, all for its lead candidate ONCOS-102.



ONCOS-102 clinical development programs

Product candidate	Preclinical	Phase I	Phase II	Phase III	Next expected event
ONCOS-102	**Mesothelioma** Combination w/pemetrexed/cisplatin				**1H 2020** Updated clinical and immune data
	Melanoma Combination w/Keytruda				**2H 2020** Clinical and immune activation data
	Peritoneal malignancies Collaborators: Ludwig, CRI & AstraZeneca Combination w/Imfinzi				*Update by collaborator*
	Prostate Collaborator: Sotio Combination w/DCvac				*Update by collaborator*
ONCOS-200 series	**Next Gen viruses**				**1H 2020** Pre-clinical data

Mesothelioma

- Randomized phase I/II open label trial
- 31 patients with unresectable malignant pleural mesothelioma, 1st and 2nd line
- Intra-tumoral ONCOS-102 in combination with standard of care chemotherapy (pemetrexed / cisplatin)
- End-points: safety of the combination treatment, immune activation and clinical response (ORR, PFS and OS)
- Conducted at four sites in Spain and France
- All patients have completed the treatment phase, and are in follow-up
- Most recent read-out: Early immune activation and response data January 2020
  - Indication of PFS benefit in 1st line patients treated with ONCOS-102
  - Robust immune activation in the experimental group, with a positive association between immune response and clinical outcome
  - Combination treatment with ONCOS-102 and chemotherapy is well tolerated

Melanoma

- Open-label, single arm phase I trial
- Up to 21 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 six months and survival rates
- Conducted at three US sites: Memorial Sloan Kettering (NY), Fox Chase Cancer Center (PA), and University of Maryland (MA)
- Part 2 of the trial is enrolling patients, where safety and efficacy of a more intensive treatment regimen of twelve ONCOS-102 injections will be evaluated
- Most recent read-out: nine patients in part 1 who received only three ONCOS-102 injections reported in July 2019
  - One complete response and two partial responses (33% ORR)
  - Innate and adaptive immune activation observed in all patients

Peritoneal metastasis

- Collaboration with US-based Cancer Research Institute (CRI) and Ludwig Cancer Research (Ludwig, trial sponsor) and AstraZeneca
- 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, metastasized to the lining of the abdominal cavity (peritoneum)
- Intraperitoneally administered ONCOS-102 in combination with Imfinzi (durvalumab, anti-PD-L1 antibody)
- End-points: safety, biologic and anti-tumor activity of the combination
- Conducted at five sites in US
- The expansion part has started
- Most recent read-out: the start of the expansion part reported in July 2019
  - All safety reviews during the dose escalation phase have been completed with no Dose Limiting Toxicities

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
- Conducted at one site in the Czech Republic
- First patient was dosed in July 2018

ONCOS-102 in mesothelioma

Mesothelioma is the path-to-market indication for ONCOS-102. In January 2020 preliminary data from the mesothelioma trial was reported. 20 patients in the experimental group received the ONCOS-102 and SoC combination, and 11 patients in a control group received SoC only. The combination treatment with ONCOS-102 and SoC was well tolerated, with no safety signals beyond what is expected from SoC alone.

Early data showed median Progression Free Survival (mPFS) of 8.4 months in the experimental group vs 6.8 months in the control group. In first line patients, the mPFS was 8.9 months vs 6.8 months, respectively. This compares favorably to historical control, which have reported mPFS of 5.7-7.3 months (Vogelzang 2003, Ceresoli 2006, Zalcman 2016). Although the mPFS is encouraging, many patients are still censored and in follow-up. Therefore, the results should be considered as emerging and will change over time.

The first set of immunological analyses show robust immune activation following ONCOS-102 treatment. In tumor biopsy immunohistochemistry (mIHC), 10 of 15 evaluable patients in the experimental group had increased tumor infiltrating CD8+ T-cells. Importantly, 9 of these 15 had increased PD-L1 expression in the tumor, of whom 7 remained progression free at the time of analysis. These results indicate a positive association between immune activation and clinical outcome and suggests that the patients would be susceptible to combination treatment with a checkpoint inhibitor.

ONCOS-102 in checkpoint inhibitor refractory melanoma

Headline data from part 1 of the melanoma trial was released in July 2019, showing that three of the nine patients had significant reduction of tumor burden (overall response rate, ORR) whereof one patient had a complete response – which is rarely seen in this late-stage patient population. Although the number of patients is small, a 33% response is a very encouraging signal of the potential of ONCOS-102. A comprehensive data set of the patients in part 1 was presented at the Society of Immunotherapy in Cancer (SITC) Annual Meeting by the principal investigator of the trial.

In addition to the top US hospitals that were involved in part 1 of the trial, Oslo University Hospital opened as a site in September 2019 and is now open for recruitment in part 2. Given the encouraging results in part 1, an increased ONCOS-102 dosing regimen are tested in this part of the trial to check if an increasing number of injections will generate more and stronger responses. A complete data set from the trial will be reported in 2020.

Clinical trials with collaboration partners

The combination trial with AstraZeneca's checkpoint inhibitor Imfinzi in peritoneal malignancies has also progressed well. In this trial, patients with ovarian and colorectal cancer that has spread to the peritoneum, the inner lining of the abdomen are treated. This trial is financed and run by Cancer Research Institute (CRI) and Ludwig Cancer Research, and Targovax was selected to participate with ONCOS-102 as the virus of choice for this trial. The safety and dose escalation cohorts were completed without any concerns, and patient recruitment into the experimental part of the trial is ongoing at five top US hospitals.

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 of ONCOS-102

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)

In addition, it was shown in the humanized melanoma mouse model that the ONCOS-102 and Keytruda combination can induce an abscopal effect. This is an important mechanistic finding, which validates in vivo that ONCOS-102 can generate systemic anti-tumor immune responses that lead to a reduction in the size of non-injected lesions. These data were published in the Journal of Medical Virology in June 2019.

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.

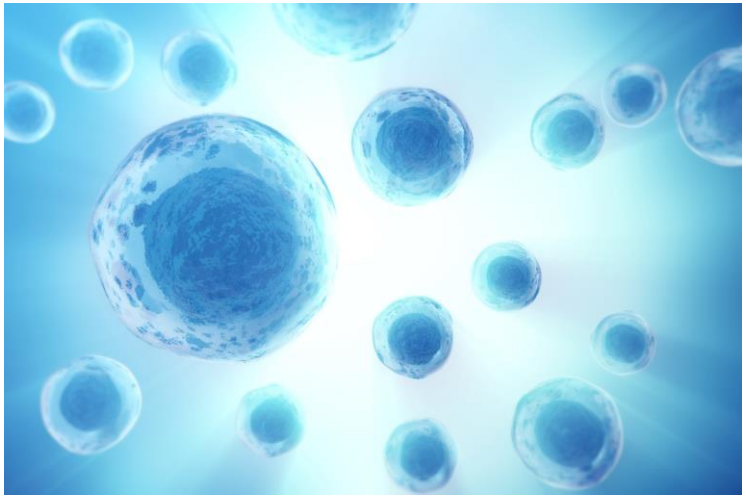
Next generation ONCOS viruses

The ONCOS platform is based on a versatile double-stranded DNA adenovirus serotype 5 backbone. The core construct includes two genetic modifications to enhance cancer specificity:

1. A 24bp deletion in the E1A region to ensure selective replication in actively dividing cells (i.e. cancer cells)
2. Replacement of the serotype 5 to a serotype 3 fiber knob; this leads the virus to primarily infect via the DSG2 and CD46 receptors, which are typically upregulated on cancer cells

In addition, the ONCOS backbone can carry transgenes that can be delivered to tumors by local expression in infected host cells. The transgene inserted into Targovax lead clinical product ONCOS-102 is GM-CSF, which stimulates tumor antigen processing by antigen presenting cells (APCs). In the second generation ONCOS viruses, Targovax has been able to increase the DNA payload capacity of the backbone to include two transgenes. Three new ONCOS viruses with double transgenes have been cloned and validated in vitro and are now being tested in vivo. Patent applications for these novel constructs were filed in April 2019.

We have generated and are continuing to generate preclinical data from the next generation ONCOS viruses and will submit abstracts to present at upcoming scientific conferences.



Important events in 2019

- In February, the first patient entered into part 2 of the ONCOS-102 trial in checkpoint inhibitor refractory advanced melanoma, where the dosing is increased from three to twelve injections
- In March, Targovax grants Zelluna Immunotherapy an FTO license to intellectual property relating to mutant RAS T cell receptor technology. The potential deal value amounts to NOK 100m (USD 12m) in milestones and annual fees
- In March, Targovax successfully completed a Private Placement (PP), raising gross proceeds of NOK 74m (USD 9m), with a subsequent repair share issue raising gross proceeds of NOK 1m (USD 0.1m)
- In April, Targovax filed patents on three next generation ONCOS oncolytic viruses
- In May, the last patient entered into the ONCOS-102 trial in mesothelioma. Recruitment was completed with 31 patients
- In May, Targovax announced median and three-year overall survival for TG01 trial in resected pancreatic cancer
- In May, Targovax announced its decision to fully focus the company's resources and efforts on the ONCOS platform
- In May, the Journal of Medical Virology published a Targovax paper named "Abscopal effect when combining oncolytic adenovirus and checkpoint inhibitor in a humanized NOG mouse model of melanoma"
- In July, Targovax announced data from part 1 of the ONCOS-102 trial in checkpoint inhibitor refractory advanced melanoma, showing validated clinical responses in three out of nine patients (33% ORR), including one patient with a complete response and immune activation in all nine patients
- In July, the expansion part of the phase I/II trial of ONCOS-102 in combination with the checkpoint inhibitor Imfinzi in patients with advanced peritoneal malignancies opened for enrollment as the dose escalation part of the trial concluded successfully
- In September, Targovax announced the opening of Oslo University Hospital as site for ONCOS-102 trial in melanoma
- In October, Targovax was selected for oral presentation at Society for Immunotherapy of Cancer (SITC) 2019 Annual Meeting. The presentation was given bv Dr. Alexander Shoushtari, Principal Investigator of ONCOS-102 trial in melanoma, Memorial Sloan Kettering Cancer Center, NYC

Important events after balance sheet date

- In January 2020, Targovax announced it has entered into an option agreement with IOVaxis Therapeutics for an TG mutant RAS vaccine license and clinical development agreement in China
- In January 2020, Targovax presented encouraging data in the mesothelioma study combining ONCOS-102 and standard of care chemotherapy
- In January 2020, Targovax successfully completed a private placement, raising gross proceeds of approximately NOK 101 million (USD 11.2 million)

Key figures in the consolidated accounts

Income statement (2018 figures in brackets)
In 2019 Targovax had no core business revenue. However, at end of 2019, the Group entered into an exclusive option agreement with IOVaxis Therapeutics of Nantong, China, for clinical development and licensing of the Targovax mutant RAS vaccines TG01 and TG02 in China, Hong Kong, Macau and Singapore, hence an income of NOK 2 million was recognized in 2019.

Total operating expenses for 2019 amounted to NOK 153 million (NOK 146 million), of which payroll and related expenses amounts to NOK 50 million (NOK 56 million). The operating expenses are reported net of governmental grants, which amounted to NOK 4 million in the period (NOK 5 million).

Operating loss amounted to NOK 150 million in 2019 (NOK 146 million). Financial income amounted to NOK 4 million for the year (NOK 3 million). The group had financial expenses of NOK 1 million (NOK 4 million). The net loss for the period amounted to NOK 148 million (NOK 147 million).

Cash flow
Net cash amounted to NOK 70 million at the end of the year, compared to NOK 151 million at the end of 2018.

Net cash outflow from operating activities for the year 2019 was NOK 143 million (NOK 112 million). The increase in cash flow from financing activities in 2019 has led to the opportunity to expand the operational activities, hence the outflow from operational activities has increased.

Financial position
As at 31 December 2019, Targovax had total assets of NOK 457 million, compared to NOK 538 million by the end of 2018.

Total current assets amounted to NOK 86 million (NOK 167 million), of which cash and cash equivalents amounted to NOK 70 million (NOK 151 million).

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

Shareholders' equity amounted to NOK 297 million, decreased from NOK 375 million in 2018. The equity ratio amounted to 64.99 percent compared to 69.7 percent in 2018.

Going concern

The financial statements for 2019 have been prepared under the going concern assumption, as stipulated in Section 3.3a of the Norwegian Accounting Act. As a result of the private placement in the first quarter 2020 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 10 March 2020. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

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 analyze 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 four 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 candidate, ONCOS-102 is currently in clinical phase I/II.

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 IQVIA Institute predicts that the pharmaceutical market will reach USD 1.5 trillion by 2023, an increase of USD 300 billion from the USD 1.2 trillion recorded in 2018. This growth is coming mainly from market expansion in emerging countries and demographic trends in developed countries due to an ageing population. Over the coming years the market is expected to grow by 4-5% CAGR, which is somewhat lower than the average 6.3% CAGR during 2014-2018.

The United States share of global spending will increase from USD 485 billion in 2018 to USD 625-655 billion in 2023, while the European share of spending will grow from USD 155 billion to USD 170-200 billion. Double-digit annual growth brought the China pharmaceutical market to USD 140 billion in 2018, but this growth is expected to decrease and stabilize between 3-6% CAGR% towards 2023.

The cancer market

General

The 2018 worldwide spending on cancer drugs was USD 99 billion and expected to grow to USD 175 billion by 2025 according to a 2018 report from Allied Marked Research. This represents a growth rate of close to 8%, which is higher than the pharmaceutical market overall. The market for cancer immunotherapy was estimated to USD 50 billion in 2018 and expected to grow at a CAGR % of 10-15% to reach a total value of USD 100-125 billion by 2025. As such, immunotherapy

already accounts for over 50% of the cancer drug market and is projected to increase this share over the coming years.

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, of which using antibodies to target immune checkpoints, so-called "checkpoint inhibitors", is the most advanced concept and has by far the largest market share. Another popular approach is to use genetically engineered viruses that selectively infect and kill cancer cells, which as a class are known as "oncolytic viruses". These oncolytic viruses are usually injected directly into solid tumors, where they kill cancer cells through a process in which the cell membrane is broken down, referred to as "lysis". When the cancer cells are lysed unique tumor antigens (tumor associated antigens (TAAs) and neoantigens) are released, which the immune system can detect and mount an immune response against. As a result, the patient's immune cells (e.g. T-cells) can learn to recognize and destroy tumors, and patrol the body to find and eradicate cancer cells.

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.

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 19 December 2019. They consist of principles related to:

- Social commitment

- Business conduct
- Anti-corruption
- Human rights
- Employment without discrimination
- 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 immunotherapy. 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's primary R&D focus is centered around a virus-based immunotherapy platform (ONCOS) that utilizes engineered oncolytic adenoviruses armed with potent immune-stimulating transgenes to target solid tumors. In addition, the group owns 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 2019. Absence due to illness in the group was 1.20 percent in 2019, considerably lower than the industry standard.

As at 31 December 2019, Targovax had a total of 21 employees, compared with 26 employees at the end of 2018.

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 43 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 2019 the Targovax share was traded in the NOK 4.30 – 11.20 range. During 2019 some 67 million shares were traded, with a total value of NOK 471 million. Closing price on 31 December 2019 was NOK 8.76 per share, corresponding to a market-value of NOK 555 million.

As of 25 February 2020, there were 76,011,297 shares outstanding in Targovax, distributed amongst 5,007 shareholders. HealthCap is the largest shareholder, holding about 19.6 percent of total shares outstanding. The 20 largest shareholders control 46 percent of total shares outstanding.

The estimated share ownership situation on 25 February 2020:

	Estimated	
Shareholder	Shares mill	Ownership
HealthCap	12.4	16.3 %
RadForsk	4.4	5.8 %
Nordea	4.3	5.7 %
AP4	2.6	3.4 %
Thorendahl Invest	1.5	2.0 %
Danske Bank (nom.)	1.0	1.3 %
Sundt	1.0	1.3 %
Morgan Stanley & Co. Int	0.9	1.2 %
ABN AMRO Global Custody Services (nom.)	0.9	1.2 %
MP Pensjon	0.9	1.1 %
J.P. Morgan Bank Luxembourg (nom.)	0.8	1.1 %
Prieta	0.7	0.9 %
Wold	0.6	0.7 %
Merrill Lynch Prof. Clearing Corp. (nom.)	0.5	0.6 %
The Bank of New York Mellon(nom.)	0.5	0.6 %
Timmuno	0.4	0.5 %
J.P. Morgan Securities	0.4	0.5 %
Markhus	0.4	0.5 %
Bækkelaget Holding	0.4	0.5 %
Middelborg Invest	0.4	0.5 %
20 largest shareholders	**34.9**	**45.9 %**
Other shareholders (4 987)	41.1	54.1 %
Total shareholders	**76.0**	**100.0 %**

As per 31 December 2019, key management and members of the Board holds a total of 405,556 shares in Targovax ASA, representing some 0.6 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 2019 and 2020 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 62 million (NOK 72 million). Total cash amounted to NOK 54 million at the end of 2019 compared to NOK 141 million at the end of 2018. Equity at the end of 2019 amounted to NOK 560 million compared to NOK 550 million at the end of 2018.

Targovax ASA´s annual result amounted to a loss of NOK 62 million. The Board of Directors proposed that the loss is transferred to accumulated loss.

Outlook

There is broad excitement in the industry regarding the potential of oncolytic viruses as immune activators to complement other treatments, such as CPIs. With the emerging clinical combination data from our ONCOS platform, we are solidifying our position as one of the leaders in the field and potential key future player in the market. Over the next 12 months, we expect several additional data read-outs from our ongoing ONCOS-102 clinical trials, which we anticipate will further solidify the encouraging early findings.

We continue to believe that mutRAS is an important target. Based on our experiences and know-how, Targovax will continue to pursue partnerships and collaborations to target mutRAS – as before with the TG vaccine and going forward also with novel immunological approaches.

We enter 2020 with optimism and look forward to providing further updates on our clinical progress.

Oslo, 10 March 2020
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 2019 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, 10 March 2020
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 11 Mars 2020 and includes close associates

Øystein Soug
Chief Executive Officer

Shares: 200 000
Share options: 1 310 000

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.

Ingunn Munch Lindvig
Vice President, Regulatory Affairs

Shares: 10 000
Share options: 117 000

Ingunn Munch Lindvig has worked more than 20 years in the pharma and biotech industry. She has extensive experience with regulatory strategy and delivery on regulatory plans across a range of pharmaceutical products. Prior to joining Targovax, Dr. Lindvig was Head of Regulatory Affairs at Nordic Nanovector ASA for five years and she also led the regulatory function at Photocure ASA for seven years. Dr. Lindvig was part of the Regulatory team at Nycomed Imaging/Nycomed Amersham/GE Healthcare. Dr. Lindvig holds a PhD in physiology from University of Oslo, Norway. She is a Norwegian citizen and resides in Norway.

Magnus Jäderberg
Chief Medical Officer

Shares: 20 000
Share options: 930 000

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.

Kristiina Hyvärinen
Director, CMC

Shares: 0
Share options: 175 500

Kristiina Hyvärinen has more than 20 years of experience in the research, biopharmaceutical and food supplement industry. Before joining Targovax, Dr. Hyvärinen worked for seven years as Quality Manager in Pharmia Oy where she was responsible of all quality aspects of the factory manufacturing vitamins and other food supplements as well as medical devices. Dr. Hyvärinen also worked for eight years in several positions, including as R&D scientist, chemist and QC laboratory manager at Ipsat Therapies Oy. She studied organic, analytical and biochemistry at the University of Helsinki, where she has also worked as research scientist. Dr. Hyvärinen holds a PhD in chemistry from the University of Helsinki. She is Finnish citizen and resides in Helsinki, Finland.

Torbjørn Furuseth
Chief Financial Officer

Shares: 15 000
Share options: 430 000

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. Dr. Furuseth brings a strategic and entrepreneurial mindset combined with a broad understanding of drug development with a focus on operational execution. Dr. Furuseth is a Medical Doctor from Norwegian University of Science and Technology (NTNU). He is a Norwegian citizen and resides in Norway.

Erik Digman Wiklund
Chief Business Officer

Shares: 0
Share options: 560 000

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.

Anne-Sophie Møller
Head of Clinical Science

Shares: 0
Share options: 170 500

Anne-Sophie W. Møller joined Targovax in August 2016 and has more than 15 years of experience within research and development as well as operation from both academia and the biotech industry within immunology and cell biology. Dr. Møller worked as a scientist for several years at Oslo University Hospital and held different managing positions in R&D, method development and quality control in Thermo Fisher. She is currently Head of Clinical Science and is responsible for the immune monitoring program as well as the pre-clinical program in Targovax. Dr. Møller holds a PhD in cell biology/Immunology from the University of Norway. She is a Danish citizen and resides in Norway.

Board of Directors

The Board of Directors consists of eight individuals. Set out below are brief biographies of the members of Board. Holdings of shares, share options and RSUs as at 11 Mars 2020 and includes close associates

Patrick Vink 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, he has led worldwide teams to drive product development and commercialization across several therapeutic areas, including oncology. Currently, Mr. Vink 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. He is a Dutch citizen and resides in Switzerland.

Patrick Vink
Executive Chairman (b. 1963)

Shares: 0
Share options: 0
RSU: 123 159

Ms. 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 and of Aleta Biotherapeutics' Board. During Ms. Allan's five years as Immunocore's Chief Business Officer she raised USD 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. Ms. 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.

Eva-Lotta Allan
Board Member (b. 1959)

Shares: 51 368
Share options: 0
RSU: 15 249

Per Samuelsson is a partner at Odlander Fredrikson/HealthCap, the life sciences venture capital firm, which he joined in 2000. Prior to this, he gained more than 15 years of investment banking experience, mainly with Aros Securities in Sweden. In his 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.

Per Samuelsson
Board Member (b. 1961)

Shares: 0
Share options: 0
RSU: 0

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

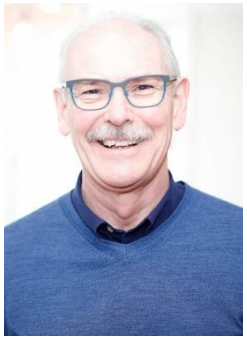
Diane Mellett
Board Member (b. 1960)

Shares: 17 704
Share options: 0
RSU: 47 743

Catherine Wheeler
Board Member (b. 1953)

Shares: 0
Share options: 0
RSU: 6 049

Dr. Wheeler has had a long and distinguished international career in drug development spanning 20 years. Most recently she was Chief Medical Officer at Acetylon Pharmaceutical and prior to that held progressively senior clinical and business development roles at AstraZeneca, and Roche, where Dr. Wheeler 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, she was an established global consultant and Clinical Associate Professor of Medicine at Harvard Medical School, which she joined in 1981. Dr. Wheeler was Board Certified in Internal Medicine with sub-specialties in Haematology and Medical Oncology. Dr. Wheeler is a U.S. citizen and resides in the U.S.



Robert Burns
Board Member (b. 1947)

Shares: 86 020
Share options: 21 235
RSU: 45 747

Robert Burns is an advisor to companies developing immune based therapies in cancer and autoimmune indications. He has been involved for more than 30 years in building biotechnology companies focused on immuno-oncology. Dr. Burns 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. He 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, Dr. Burns was Director of Technology Licensing at the Ludwig Institute for Cancer Research, an international independently financed not-for-profit research group focused on cancer vaccines and antibody based cancer immunotherapies. He holds a PhD in Chemistry and is a UK citizen, residing in Oxford, United Kingdom..

Johan Christenson
Board Member (b. 1958)

Shares: 0
Share options: 0
RSU: 0

Dr. Johan Christenson has been a Partner at HealthCap since 2001. He has been in the life science sector covering science, medicine, drug development and venture investments since 1981. Prior to joining HealthCap, Dr. Christenson was with SEB Företagsinvest (the venture capital arm of SEB) to supervise the healthcare portfolio. He 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. He held a position as Assistant Dean at the Karolinska Institute Graduate School for two years. Dr. Christenson has four years of clinical specialist training in 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.

Bente-Lill Romøren
Board Member (b. 1949)

Shares: 5 464
Share options: 0
RSU: 30 113

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

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 19 December 2019 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 2019.

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 2019 was NOK 291 million, which corresponds to an equity ratio of 63.8 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 1 000 000 and (b) 10 percent of the share capital of the Company. This applies until the Annual General Meeting in 2020.

For the period between the Annual General Meetings in 2020 and 2021, 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 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 30 April 2019. 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 2019.*

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 30 April 2019.

Participation on Board of Directors meetings and Board committee meetings during 2019:

Participation in meetings	Board Meetings	Audit Committee	Compensation committee	Governance Committee
Patrick Vink	14	5	2	
Catherine Wheeler	14			
Bente-Lill Romøren	13			2
Johan Christenson	13			2
Robert Burns	15		2	
Eva-Lotta Allan	13			2
Diane Mellett	13			2
Per Samuelsson	14	5	2	

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 19 December 2019 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 22 May 2019. 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 2019.

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.

Two meetings were held in 2019.

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

Two meetings were held in 2019.

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 30 April 2019 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 2018-2019 are described in Note 10 in the Annual Report.

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 2019

Accounts and notes

Contents

Consolidated statement of profit or loss

Amounts in NOK thousands except per share data	*Note*	2019	2018
Other revenues	6	2 251	27
Total revenue		**2 251**	**27**
External R&D expenses	7,8	-80 286	-64 006
Payroll and related expenses	7,8,9,10,11	-50 103	-56 433
Other operating expenses	7,8,12	-18 109	-25 380
Depreciation, amortizations and write downs	15,16,17	-4 026	-308
Total operating expenses		**-152 524**	**-146 127**
Operating profit/loss (-)		**-150 273**	**-146 100**
Finance income	13	3 698	3 068
Finance expense	13,21	- 1 275	-4 317
Net finance income (expense)		**2 422**	**-1 249**
Loss before income tax		**-147 850**	**-147 349**
Income tax income/(expense)	14	321	334
Loss for the period		**-147 529**	**-147 015**
Earnings/loss (-) per share			
Basic and dilutive earnings/loss (-) per share	**20**	**-2.43**	**-2.79**

Consolidated Statement of comprehensive income

Amounts in NOK thousands except per share data	*Note*	2019	2018
Income/loss (-) for the period		-147 529	-147 015
Items that may be reclassified to profit or loss:			
Exchange differences arising from the translation of foreign operations		-2 703	2 620
Total comprehensive income/loss (-) for the period		**-150 232**	**-144 395**

Consolidated statement of financial position

Amounts in NOK thousands	*Note*	31.12.2019	31.12.2018
ASSETS			
Intangible assets	15	367 083	370 240
Property, plant, and equipment	16	726	889
Right-of-use assets	17	3 241	
Total non-current assets		**371 050**	**371 128**
Receivables	13,18	15 429	15 320
Cash and cash equivalents	19	70 429	151 189
Total current assets		**85 857**	**166 509**
TOTAL ASSETS		**456 907**	**537 637**
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	20	6 338	5 262
Share premium reserve		886 899	821 131
Other reserves		46 885	41 239
Retained earnings		-670 010	-522 481
Translation differences		26 843	29 546
Total equity		**296 955**	**374 696**
Non-current liabilities			
Interest-bearing liabilities	21	50 441	43 933
Deferred tax	14	58 822	59 632
Total non-current liabilities		**109 263**	**103 565**

Amounts in NOK thousands	*Note*	31.12.2019	31.12.2018
Current liabilities			
Interest-bearing liabilities	21,22	-	9 127
Short-term lease liabilities	17	3 241	-
Accounts payable and other current liabilities	22	11 136	12 372
Accrued public charges	22	3 911	3 370
Other short-term liabilities	22	32 402	34 508
Total current liabilities		**50 690**	**59 377**
TOTAL EQUITY AND LIABILITIES		**456 907**	**537 637**

Oslo, 10 March 2020
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 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**
Loss for the period						-147 529	-147 529
Exchange differences arising from the translation of foreign operations		-	-	-	-2 703	-	-2 703
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period					**-2 703**	**-147 529**	**-150 232**
Issue of ordinary shares - Capital increase - Private Placement and repair offering	20	1 066	73 585				74 651
Transaction costs - Private Placement and repair offering			-7 788				-7 788
Share issuance, employee share options & RSU's	20	10	-28	-	-	-	-18
Recognition of share-based payments & RSU's	11			5 646	-	-	5 646
Balance at 31 December 2019		**6 338**	**886 899**	**46 885**	**26 843**	**-670 010**	**296 955**

Consolidated statement of cash flow

Amounts in NOK thousands	*Note*	2019	2018
Cash flow from operating activities			
Loss before income tax		-147 850	-147 349
Adjustments for:			
Finance income	13	-3 698	-3 068
Finance expense	13	1 275	4 317
Interest received	13	1 524	1 554
Other finance expense	13	-25	-88
Share option and RSU expense	11	5 646	11 963
Depreciation, amortizations and write downs	16,17	4 026	308
Change in receivables	18	-108	-700
Change in other current liabilities	22	-3 307	21 496
Net cash flow from /(used in) operating activities		**-142 517**	**-111 568**
Cash flow from investing activities			
Purchases of property, plant, and equipment (PPE)	16	-134	
Net cash received from/(paid in) investing activities		**-134**	**-**
Cash flow from financing activities			
Repayment of lease liabilities	17	-4 061	
Interest paid	13	-627	-607
Share issue expense - Private Placement and repair offering	20	-7 788	
Proceeds from issuance of shares -Private Placement and repair offering	20	74 651	
Proceeds from exercise of options	20	-18	-30
Net cash generated from financing activities		**62 156**	**-637**
Net increase/(decrease) in cash and cash equivalents		**-80 495**	**-112 204**
Net exchange gain/loss on cash and cash equivalents		-265	1 820
Cash and cash equivalents at beginning of period		**151 189**	**261 573**
Cash and cash equivalents at end of period	**19**	**70 429**	**151 189**

1. General information

Targovax ASA ("the Company") and its subsidiaries (together the Group) is a clinical stage immuno-oncology company developing oncolytic viruses 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 cancer cells and activate the immune system to fight the cancer. 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 has also developed 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. Targovax has decided that further development needs to be done through collaborations and partnerships, and not with trials financed by Targovax.

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 10 March 2020 and are subject to approval by the Annual General Meeting in April 2020.

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 2019 and earlier have been adopted for all periods presented in these financial statements.

In 2019 the Group implemented the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019.

• IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The result of implementing IFRS 16 was that almost all leases were recognized on the balance sheet by lessees, as the distinction between operating and finance leases was 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 has applied 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.

None of the other 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 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.4 Basis of consolidation

The consolidated financial statements as at 31 December 2019 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.

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 recognized 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 2020 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 10 March 2020. 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 367 MNOK. The value is tested for impairment 31 December 2019. 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 2019 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 2019 and 2018:

	2019		2018	
Amounts in NOK thousands	1% point increase	1% point decrease	1% point increase	1% point decrease
Loss before income tax effect	704	-704	1 512	-1 512

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 2019 and 2018.

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

	2019		2018	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	684	-684	1 863	-1 863
Other comprehensive income	-3 356	3 356	-6 040	6 040

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

	2019		2018	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	1 145	-1 145	1 164	-1 164
Other comprehensive income	12	-12	21	-21

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

	2019		2018	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	207	-207	436	-436
Other comprehensive income	-	-	-	-

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

	2019		2018	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	-14	14	-206	206
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:

	2019		2018		Rating
Amounts in NOK	Amount	In %	Amount	In %	S&P
Cash at bank:	**44 354**	**63%**	**63 537**	**42%**	
Nordea Bank AB	27 902	40%	53 345	35%	**AA-**
Danske Bank A/S	7	0%	436	0%	**A**
DNB Bank ASA	16 445	23%	9 756	6%	**AA-**
Money market funds:	**26 075**	**37%**	**87 652**	**58%**	
Nordea Likviditet III	26 075	37%	87 652	58%	
Total	**70 429**	**100%**	**151 189**	**100%**	

Fair value of financial instruments

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

	2019		2018	
Amounts in NOK thousands	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	15 429	15 429	15 320	15 320
Cash and cash equivalents	70 429	70 429	151 189	151 189
Total financial assets	**85 857**	**85 857**	**166 509**	**166 509**
Interest-bearing borrowings	50 441	50 441	53 059	53 059
Lease liabilities	3 241	3 241	-	-
Accounts payable and other current liabilities	11 136	11 136	12 372	12 372
Total financial liabilities	**64 818**	**64 818**	**65 431**	**65 431**

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)

As at 31 December 2019:

Amounts in NOK thousands	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	50 441	50 441
Total financial instruments at fair value	**-**	**-**	**50 441**	**50 441**

As at 31 December 2018:

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 2020, sufficient cash available to meet its obligations as at 31 December 2019 and related to planned activities in the next 12 months. Hence, the Group is funded into 2021, 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 2019 and 2018 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 2019

(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	398	48 233	16 141	**64 997**
Lease liabilities	-	986	2 369			**3 355**
Accounts payable and other current liabilities	-	11 136	-	-	-	**11 136**
Accrued public charges	-	3 911	-	-	-	**3 911**
Other short-term liabilities	-	32 402	-	-	-	**32 402**
Total	**-**	**48 660**	**2 767**	**48 233**	**16 141**	**115 801**

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

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 was in 2019 granted an extension of the repayment-free period for the loans falling due during 2019.

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	2019	2018
Other revenue	2 251	27
Total operating revenue	**2 251**	**27**

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

At end of 2019, the Group entered into an exclusive option agreement with IOVaxis Therapeutics of Nantong, China, for clinical development and licensing of the Targovax mutant RAS vaccines TG01 and TG02 in China, Hong Kong, Macau and Singapore. The option can be exercised into an exclusive license by the earlier of i) the first regulatory approval to start a clinical trial in the territory, or ii) one year from the effective date of the Option Agreement. IOVaxis will pay the Company USD 250.000 for this exclusive option, and the total payment was received at end of February 2020. The milestone payment for the exercise of the option to license TG01/02 is USD 3 million.

Under the Option Agreement, IOVaxis and Targovax will jointly define a development plan in the territory, and IOVaxis will be responsible for all local regulatory filings and be the sponsor of clinical trials. The full License Agreement remains to be finalized, but the parties have pre-agreed the key commercial and operational terms in the Option Agreement. If exercised, the total potential development and commercial milestones for the TG01/02 license may reach up to USD 100 million, plus tiered royalties on net sales up to mid double digits.

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:

	2019		**2018**	
Amounts in NOK thousands	Total	Of which R&D	Total	Of which R&D
External R&D expenses	80 286	80 286	64 006	64 006
Payroll and related expenses	50 103	25 951	56 433	30 210
Other operating expenses	18 109	442	25 380	941
Depreciation, amortizations and write downs	4 026	-	308	-
Total	**152 524**	**106 679**	**146 127**	**95 157**

The following external research and development expenditures have been expensed:

Amounts in NOK thousands	**2019**	**2018**
R&D related consultancy and other expenses	54 573	48 483
Cost of manufacturing for R&D	25 745	14 908
Patent expenses	3 302	4 691
Government grants	-3 334	-4 077
Total external research and development expenses	**80 286**	**64 006**

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	**2019**	**2018**
External R&D expenses	3 334	4 077
Payroll and related expenses	592	1 105
Other operating expenses	38	80
Total grants	**3 964**	**5 263**

For the full year 2019 the Group has, for SkatteFUNN projects, recognized NOK 4.0 million (NOK 5.2 million 2018) as cost reduction in External R&D expenses, Payroll and related expenses and Other operating expenses.

In 2019, NOK 0 million (NOK 0,02 million in 2018) 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 2019 and 2018, no additions were granted related the existing loans from Business Finland, hence no recognition of government grant is performed during the year. See note 21 Interest-bearing debt for information about Business Finland loans.

Specification of grants receivables:

Amounts in NOK thousands	**2019**	**2018**
Grants from SkatteFUNN	3 964	5 243
Grants from the Research Council of Norway	0	20
Total grants receivable	**3 964**	**5 263**

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	2019	2018
Salaries and bonus	31 628	37 547
Employer's national insurance contributions	4 910	4 723
Share-based compensation [1)]	5 646	11 963
Pension expenses – defined contribution plan	1 915	2 028
Restructuring costs [2)]	5 448	-
Other	1 147	1 279
Governmental grants	-592	-1 105
Total payroll and related expenses	**50 103**	**56 433**
1) Share-based compensation has no cash effect.		
2) Following the decision to fully focus on the ONCOS platform, the number of employees was reduced, and the Group estimated a total restructuring costs of NOK 5.4 million. NOK 4,7 million was paid in 2019, hence a remaining provision of NOK 0,7 million at per end of 2019.		
Number of employees calculated on a full-time basis as at end of period	20,0	25.6
Number of employees as at end of period	20	26

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 2019 and will be in 2020. 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 2019. We encourage our shareholders to read the entire Compensation Report before attending the Annual General meeting in April 2020.

The last year was an important period for Targovax. After several years of preparations and hard work establishing our clinical program, Targovax entered into a period reading out the results. During 2019, the company reported encouraging data from part 1 of the trial in checkpoint inhibitor refractory melanoma. Recently we also reported early signals of efficacy from our mesothelioma trial and signed an option agreement enabling the further development of our mutRAS platform in China. In the year to come, we look forward to reporting several data points from our broad range of ongoing clinical trials. 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 pipeline focusing on opportunities in immuno-oncology and particularly oncolytic adenovirus technology. 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. In order to make this journey successful, it is of crucial importance for Targovax 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, 10 March 2020

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 2019 and on resulting cash bonuses for the management team
- Recommendation on the grant of employee share options
- Recommendation on corporate objectives for 2020

The compensation policy

The compensation policy applied in 2019 and 2020 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 2019	Proposed for 2020
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 2019 and 2020 focus on short term execution of clinical plans and longer-term business development.

Target bonus percentages	2019 (% of base salary)	2020 (% of base salary)
Øystein Soug (Chief Executive Officer)	35%	35%
Magnus Jäderberg (Chief Medical Officer)	30%	30%
Erik Digman Wiklund (Chief Business Officer)	30%	30%
Torbjørn Furuseth (Chief Financial Officer)	30%	30%
Ingunn Munch Lindvig (VP Regulatory Affairs)	20%[1]	20%
Anne-Sophie Møller (Head of Clinical Science)	20%[1]	20%
Kristiina Hyvärinen (Director, CMC)	20%[1]	20%

1) As per 22 August 2019

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 2020 long-term incentives and the policy applied in 2019 are described below.

Long term incentives proposal for 2020

Eligibility

New employees and consultants are eligible for option grants upon joining the company. Employees and consultants 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 2019

In 2019, Targovax granted share options under the current share option plan in which all employees are eligible to participate.

The share option grants are not subject to any performance-based vesting conditions. Under the current plan, share options have been granted to employees upon joining the company. Additional grants have been 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, unless the employee continues as a consultant to the company. Unless special circumstances dictate otherwise, the terminated employee can, as a general rule, exercise vested share options for a maximum period of six to twelve 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 2019, the Board was authorized to increase the Group's share capital in connection with share incentive arrangements to employees and consultants by up to the lower of (a) NOK 800 000 and (b) 10% of the Company's outstanding shares, options and RSUs. 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 1 000 000 and (b) 10% of outstanding shares and options and RSU's (i.e. fully diluted).

At the end of 2019, 6 028 642 share options were outstanding, of which 3 009 336 were vested and exercisable at year-end 2019. Current Management Team members held 3 693 000 share options, 1 363 500 options were held by other employees and the remaining 972 142 by board members, previous employees, previous Oncos board members, consultants, and inventors.

At end of 2019, 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 2019

The Board of Directors complies with the decision made at Targovax ASA's Ordinary General Meeting on 30 April 2019 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 2019 were identical to the principles listed above.

Section 5 – Compensation tables for 2019 and 2018

Remunerations and other benefits in 2019:

Amounts in NOK thousands	Fixed annual salary as at 31 Dec 2019	Earned salaries in 2019	Bonus earned in 2018, paid in 2019	Pension expenses in 2019	Benefits in kind in 2019	Exercise of share options/RSUs	Total remuneration in 2019
Board of Directors of Targovax ASA:							
Patrick Vink, Chairperson of the Board		52					52
Bente-Lill Bjerkelund Romøren, Board member		193				27	220
Johan Christenson, Board member		305					305
Catherine Wheeler, Board member		227					227
Per Samuelsson, Board member		300					300
Robert Burns, Board member		20	2			136	158
Eva-Lotta Coulter, Board member		20				250	270
Diane Mellett, Board member		193				86	279
Total Board of Directors [1,]		1 310	-	-	-	499	**1 811**
Management team:							
Magnus Jäderberg, Chief Medical Officer[2]	2 995	2 497	619	-	751	-	3 867
Øystein Soug, Chief Executive Officer	2 652	2732	676	75	8	-	3 495
Ingunn Munch Lindvig, VP Regulatory Affairs	1 385	620	-	33	3	-	656
Anne-Sophie Møller, Head of Clinical Science	1 115	1 125	76	69	8	-	1 287
Kristiina Hyvärinen, Director CMC	799	837	56	165	2	-	1 119
Torbjørn Furuseth, Chief Financial Officer	1 906	1 782	125	74	9	-	1 997
Erik Digman Wiklund, Chief Business Officer	1 751	1 758	379	74	9	-	2 223
Total Management Team [3, 4]	**12 603**	**11 410**	**1 932**	**490**	**811**	**-**	**14 643**
Total	**12 603**	**12 720**	**1 932**	**490**	**811**	**499**	**16 454**

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) Fixed annual salary is the annual salary in GBP multiplied by the average exchange rate throughout the year.
3) Anne-Kirsti Aksnes resigned from her position as VP Clinical Development on 31 July 2019. During 2019 her remuneration consists of TNOK 2 600 in salary, TNOK 71 in pension and TNOK 10 in benefits in kind.
4) Berit Iversen resigned from her position as Head of CMC on 31 July 2019. During 2019 her remuneration consists of TNOK 2 041 in salary, TNOK 71 in pension and TNOK 11 in benefits in kind.

All amounts in the tables exclude National Insurance Contribution.
In 2019, the annual general meeting of the Company resolved that all current board members shall receive NOK 290 000 and the Chairperson of the Board NOK 500 000 for the period from the annual general meeting in 2019 and until the annual general meeting in 2020. 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 2020. 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 2019 NOK 1.5 million, excluding National Insurance Contribution, was recognized as expense in provision for Board remunerations to be paid in cash. NOK 1.2 million for the period April 2019 to December 2019 and NOK 0.3 million was recognized as expense for Board remuneration for the period between AGM 2018 to AGM 2019 and paid in April/May 2019. In 2019 NOK 0.4 million was recognized as expense for Board remunerations in RSUs for the period April 2018-April 2019 and NOK 0.7 million for the period April 2019 to December 2019.

The Group has recognized as expense NOK 2.7 million, excluding National Insurance Contribution, in provision for bonuses to Management Team for 2019.

The Group has recognized as expense NOK 4.5 million in share-based compensation to the Management Team at 31 December 2019. There are no outstanding loans or guarantees made to the Board of Directors or the Management Team at 31 December 2019.

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]	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.

Holding of shares, options for shares and RSUs, including those of close associates, as at 31 December 2019:

Amounts in NOK thousands	Holding shares as at 31 Dec 2019	% ownership 31 Dec 2019	Exercised options 2019	Granted options 2019	Holding of options as at 31 Dec 2019	Exercised RSU's 2019	Granted RSU's 2019[3]	Holding of RSU's as at 31 Dec 2019
Board of Directors of Targovax ASA:								
Patrick Vink, Chairperson of the Board					-		78 873	123 159
Bente-Lill Bjerkelund Romøren, Board member	5 464	0.01%			-	5 464	15 249	30 113
Johan Christenson, Board member[1]					-			-
Catherine Wheeler, Board member								6 049
Per Samuelsson, Board member[1]					-			-
Robert Burns, Board member	86 020	0.14 %			21 235	28 199	45 747	45 747
Eva-Lotta Coulter, Board member	51 368	0.08 %			-	51 368	15 249	15 249
Diane Mellett, Board member	17 704	0.03 %			-	17 704	15 249	47 743
Total Board of Directors	**160 556**	**0.25 %**	**-**	**-**	**21 235**	**-102 735**	**170 367**	**268 060**
Management team:								
Magnus Jäderberg, Chief Medical Officer	20 000	0.03 %		170 000	930 000			
Øystein Soug, Chief Executive Officer[2]	200 000	0.32 %		300 000	1 310 000			
Ingunn Munch Lindvig, VP Regulatory Affairs	10 000	0.02 %		117 000	117 000			
Anne-Sophie Møller, Head of Clinical Science	-	0.00 %		122 000	170 500			
Kristiina Hyvärinen, Director CMC	-	0.00 %		122 000	175 500			
Torbjørn Furuseth, Chief Financial Officer Quality	15 000	0.02 %		230 000	430 000			
Erik Digman Wiklund, Chief Business Officer	-	0.00 %		260 000	560 000			
Total Management	**245 000**	**0.39 %**	**-**	**1 321 000**	**3 693 000**	**-**	**-**	**-**
Total	**405 556**	**0.64 %**	**-**	**1 321 000**	**3 714 235**	**-**	**170 367**	**268 060**

1) Johan Christenson and Per Samuelsson, both Member of the Board, are partners at HealthCap, HealthCap owns 12 405 584 shares at 31.12.2019
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 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 31.12.2018
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.

Total outstanding options for shares by range of exercise price at 31 December 2019:

Exercise price in NOK	5.77	6.17	6.58	7.74	7.97	9.3	10.26	12.39	15.21	17.17	21.16	21.96	25	37.6	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, CEO			150 000	150 000		150 000				220 000		250 000	390 000		1 310 000
Magnus Jäderberg, CMO			90 000	80 000				120 000		100 000		150 000	390 000		930 000
Ingunn Munch Lindvig, VP Regulatory Affairs	12 000	15 000	90 000												117 000
Erik Digman Wiklund, CBO			130 000	130 000						150 000	150 000				560 000
Anne-Sophie Møller, Head of CS	12 000		90 000	20 000	10 000					13 500		15 000			170 500
Kristiina Hyvärinen, Dir. CMC	12 000		90 000	20 000				10 000	10 000	13 500		15 000			175 500
Torbjørn Furuseth, CFO			130 000	100 000			200 000	15 000							430 000
Total Management	36 000	15 000	770 000	500 000	10 000	150 000	200 000	145 000	10 000	497 000	150 000	430 000	780 000	-	3 693 000
Total	36 000	15 000	770 000	500 000	10 000	150 000	200 000	145 000	10 000	497 000	150 000	430 000	780 000	21 235	3 714 235

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, CBO				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

Related party transactions

There were no related party transactions in the Group in 2019 and 2018.

Remuneration to the statutory auditor (excl. VAT)

Amounts in NOK thousands	2019	2018
Statutory audit	575	313
Other attestation services	-	-
Tax services	50	210
Other services	138	153
Total	**763**	**676**

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 2019 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 2019.

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 2 351 000 share options during 2019 and 1 429 000 share options during 2018.

As of 31 December 2019, there are in total 6 028 642 (4 252 304 at 31 December 2018) outstanding options for all option programs, 5 938 234 (4 161 896 at 31 December 2018) options under the LTI Option Program and 90 408 (90 408 at 31 December 2018) 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 2019 and 2018 is estimated at average of 67,95% and 76,66 %%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2019 and 2018 is 1,25% and 1,11%.

The following table shows the changes in outstanding options in 2019 and 2018:

	2019		2018	
	No. of options	Weighted avg. exercise price (in NOK)	No. of options	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	4 252 304	19.61	3 466 634	21.06
Granted during the period	2 351 000	6.97	1 429 000	15.95
Exercised during the period	-	-	-	-
Forfeited	-574 662	13.57	-449 582	17.83
Expired	-	-	-193 748	22.63
Outstanding no. of options at end of	**6 028 642**	**15.26**	**4 252 304**	**19.61**

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 2019 was 3.42 per share and 8.53 per share in 2018. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2019 and 2018 were:

Amounts in NOK thousands	2019	2018
Volatility (%)	67.95	76.66
Expected life (in years)	3.66	3.65
Risk-free interest rate (%)	1.25	1.11
Share price (NOK)	6.95	15.85
Exercise price (NOK)	6.97	15.95

The expensed share options, NOK 4.6 million in 2019 (Targovax ASA: NOK 3.9 million and Targovax OY: NOK 0.6 million) and NOK 10.6 million in 2018 (Targovax ASA: NOK 9.6 million and Targovax OY: NOK 1.0 million), includes management estimate for employee turnover. The estimated turnover rate used for the year 2019 and 2018 was 0%.

At 31 December 2019, 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 12/31/2019	Weighted average remaining contractual life	Weighted average remaining years until vesting	Weighted average exercise price	Vested outstanding per 12/31/2019	Weighted average exercise price	Weighted average remaining life vested
0.00-0.51	64 872	2.50	1.93	0.51	14 833	0.51	2.50
0.51-7.50	1 390 000	6.92	2.07	6.45	-	0.00	0.00
7.50-9.30	906 000	5.57	0.95	8.01	142 281	9.06	3.79
9.30-12.39	559 983	4.11	0.40	11.61	354 427	11.99	3.51
12.39-21.50	1 093 060	3.96	0.37	18.37	686 666	18.78	3.34
21.50-21.96	824 770	3.30	0.16	21.96	624 720	21.96	3.00
21.96-25.00	1 078 943	1.41	0.00	25.00	1 078 943	25.00	1.41
25.00-37.60	111 014	2.44	0.02	36.58	107 466	36.92	2.38
Total	**6 028 642**	**4.31**	**0.77**	**15.26**	**3 009 336**	**20.97**	**2.58**

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 vesting	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
7.50-9.30	210 500	5.07	0.63	8.98	96 781	9.05	4.79
9.30-12.39	604 372	5.50	0.95	11.67	205 062	12.36	4.83
12.39-21.50	1 221 298	5.27	0.95	18.24	267 771	20.73	2.71
21.50-21.96	961 248	4.84	0.64	21.96	421 608	21.96	4.61
21.96-25.00	1 079 000	2.57	0.03	25.00	956 752	25.00	2.55
25.00-37.60	111 014	3.44	0.07	36.58	104 970	37.17	3.33
Total	**4 252 304**	**4.44**	**0.63**	**19.61**	**2 067 777**	**22.27**	**3.37**

From 1 January 2020 to 10 March 2020 no additional share options were granted to Management Team or other employees.

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 2019-2020 have been set out in the minutes from the Annual General Meeting 30 April 2019. The Annual General Meeting 30 April 2019 decided to remunerate the Board of Directors for the period between the AGM 2019 to the AGM 2020 with a combination of cash and Restricted Stock Units (RSUs), hence at the 30 April 2019, additional 170 367 RSU's were granted to the Board of Directors.

The average fair value of RSUs granted in 2019 was 6.25 per share and 15.54 per share in 2018. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2019 and 2018 were:

Amounts in NOK thousands	2019	2018
Volatility (%)	75.82	49.06
Expected life (in years)	1	1
Risk-free interest rate (%)	1.24	0.7
Share price (NOK)	6.35	15.64
Exercise price (NOK)	0.1	0,1

The expensed RSUs in 2019 and 2018 was NOK 1.1 million and NOK 1.4 million. A total of 268 060 RSUs was outstanding at 31 December 2019. The estimated turnover rate used for the year 2019 and 2018 was 0%.

The following table shows the changes in outstanding RSUs in 2019 and 2018:

	2019		2018	
	No. of RSU's	Weighted avg. exercise price (in NOK)	No. of RSU's	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	200 428	0.10	119 411	0.10
Granted during the period	170 367	0.10	87 598	0.10
Exercised during the period	-102 735	0.10	-6 581	0.10
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding no. of Restricted Stock Units at end of period	**268 060**	**0.10**	**200 428**	**0.10**

From 1 January 2020 to 10 March 2020 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	**2019**	**2018**
Consultancy, advisors' expenses and IR	10 541	11 391
Travel expenses	2 895	4 775
Facilities expenses	723	4 630
IT services and IT-related accessories	1 918	1 713
Conferences and training	638	907
Other	1 433	2 045
Government Grants	-38	-80
Total operating expenses	**18 109**	**25 380**

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 2019 and 2018 the Group have TNOK 1 763 and TNOK 7 in trade receivables, TNOK 3 967 and TNOK 5 263 in government grant receivables and the Group have TNOK 3 682 and TNOK 3 699 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	2019	2018
Interest income on bank deposit	75	41
Interest income on Money Market fund, Nordea Likviditet III	1 423	1 501
Interest income on tax repaid	25	12
Amortized interest costs - Business Finland Loan[1)]	2 174	-
Net currency gain - bank and other operating items	-	1 514
Other finance income	-	-
Total finance income	**3 698**	**3 068**

1 Due to the granted extension on the loans from Business of Finland. Please see Note 21 Interest-bearing debt for further details.

Finance expense is:

Amounts in NOK thousands	2019	2018
Interest expense – Business Finland Loan	623	603
Amortized interest costs - Business Finland Loan	-	3 589
Interest expense on lease liabilities	335	
Other interest expense	58	125
Net currency gain - bank and other operating items	258	-
Other finance expense	2	1
Total finance expense	**1 275**	**4 317**

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 402 million at 31 December 2019 (31 December 2018: NOK 336 million).

Accumulated tax losses from Targovax OY's operations amounts to EUR 23.7 million as of 31 December 2019 and EUR 22.9 million as of 31 December 2018. With a current tax rate in Finland of 20%, the corresponding deferred tax asset is EUR 4.7 million as at 31 December 2019 and EUR 4.6 million as at 31 December 2018. 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 2019 of NOK 58,8 million and per 31 December 2018 of NOK 59.6 million.

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

Amounts in NOK thousands	2019	2018
Intangible and fixed assets	291 015	293 686
Borrowings	11 865	9 554
Other current liabilities	-	-
Share options and RSUs	-336	-172
Financial instruments	152	-278
Tax loss carried forward	-635 849	-567 496
Temporary differences and tax losses carried forward at 31.12	-333 152	-264 706
Temporary differences and tax losses carried forward at 31.12 not recognized	**627 262**	**562 868**
Deferred tax asset (22%/20%) not recognized	**133 496**	**119 935**
Deferred tax asset 31.12.	**-**	**-**
Recognized temporary differences at 31.12	**294 110**	**298 162**
Deferred tax liability 31.12	**58 822**	**59 632**

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	2019	2018
Loss before income tax	**-147 850**	**-147 349**
Tax calculated at domestic rate (22%) / (22%)	-32 527	-33 890
Tax effect permanent differences	-1 788	2 217
Tax effect of change in tax rates	-	3 366
Change in deferred tax asset not recognized	32 213	25 908
Effect on different tax rates in countries in which the Group operates	1 781	2 065
Tax income / expense (-)	**321**	**334**

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:			
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
2019			
Opening balance	283	370 220	370 503
Additions	-	-	-
Exchange differences	0	-3 145	-3 145
At 31 December 2019	282	367 076	367 358
Accumulated depreciation and impairment:			
2018			
Opening balance	235	-	235
Depreciation and impairment	28	-	28
At 31 December 2018	263	-	263
2019			
Opening balance	263	-	263
Depreciation and impairment	12	-	12
At 31 December 2019	275	-	275
Carrying amount:			
At 31 December 2018	**20**	**370 220**	**370 240**
At 31 December 2019	**7**	**367 076**	**367 083**

As of 31 December 2019, the recognized intangible assets in the Group amounts to NOK 367 million. This is an decrease from NOK 370 million as of 31 December 2018, 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	-83 MNOK / +92 MNOK
Sales price	+/- 1%	+12 MNOK / -12 MNOK
Likelihood of approval	+/- 1% point	+101 MNOK / -107 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.

Amounts in NOK thousands	Furniture, fittings and equipment	Total
Cost		
2018		
Opening balance	1 810	1 810
Additions	-	-
Exchange differences	4	4
At 31 December 2018	1 814	1 814
2019		
Opening balance	1 814	1 814
Additions	134	134
Exchange differences	-6	-6
At 31 December 2019	1 943	1 943
Accumulated depreciation and impairment:		
2018		
Opening balance	646	646
Depreciation charge	280	280
At 31 December 2018	926	926
2019		
Opening balance	926	926
Depreciation and impairment charge	291	291
At 31 December 2019	1 217	1 217
Carrying amount:		
At 31 December 2018	889	889
At 31 December 2019	726	726

17. Leases

Implementation of IFRS 16 Leases

The Group has implemented the new standard effective 1 January 2019. IFRS 16 replaces 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 with an effective date of 1 January 2019. The new standard requires lessees to recognize nearly all leases on the balance sheet, 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 has applied the standard from its mandatory adoption date of 1 January 2019. The Group applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets are measured at the amount of the lease liability on adoption.

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 accounts 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 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 0.1 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 recognized right-of-use assets of 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 operating profit/loss increased by approximately NOK 0.3 million and net profit after tax decreased by approximately NOK 0.005 million for 2019 as a result of adopting the new rules.

Operating cash flows increase, and financing cash flows decrease by approximately NOK 4 million in 2019 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**

Amounts in NOK thousands	01.01.2019	Effects from IFRS 16	31.12.2018
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**

Right-of-use assets

The Group leases offices and other facilities, machinery and equipment. The Group's right-of-use assets are categorized and presented in the table below:

Right-of use assets	**Buildings**	**Total**
Amounts in NOK thousands		
Acquisition cost 1 January 2019	**7 005**	**7 005**
Addition of right-of use assets	-	-
Disposals	-	-
Transfers and reclassifications	-	-
Currency exchange differences	-	-
Acquisition cost 31 December 2019	**7 005**	**7 005**
Accumulated depreciation and impairment 1 January 2019	**-**	**-**
Depreciation	3 722	3 722
Impairment losses in the period	-	-
Disposals	-	-
Transfers and reclassifications	-	-
Currency exchange differences	42	42
Accumulated depreciation and impairment 31 December 2019	**3 764**	**3 764**
Carrying amount of right-of-use assets 31 December 2019	**3 241**	**3 241**
Remaining lease term	< 1 year	

Lease liabilities

Summary of the lease liabilities	**Total**
Amounts in NOK thousands	
At initial application 01.01.2019	**7 005**
New lease liabilities recognized in the year	-
Cash payments for the principal portion of the lease liability	-4 061
Cash payments for the interest portion of the lease liability	-
Interest expense on lease liabilities	335
Currency exchange differences	-37
Total lease liabilities at 31 December 2019	**3 241**

Summary of other lease expenses recognized in profit or loss	
Variable lease payments expensed in the period	-
Operating expenses in the period related to short-term leases	185
Operating expenses in the period related to low value assets	-
Total lease expenses included in other operating expenses	**185**

Please see note 22. Current liabilities for current lease liabilities and Statement of cash flow for cash outflow for leases.

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 September 2020 and by the landlord in August 2025. Should the lease be terminated by the Group prematurely (i.e. before September 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). The Group has terminated the lease agreement in Finland as of 30.09.2020.

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	2019	2018
Trade receivables	1 763	7
Receivable government grants	3 967	5 263
Short-term deposits	3 682	3 699
Financial asset receivables	**9 412**	**8 969**
Other receivables	6 017	6 351
Total receivables	**15 429**	**15 320**

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	2019	2018
Bank deposits	44 354	63 537
Money Market fund, Nordea Likviditet III	26 075	87 652
Total cash and cash equivalents	**70 429**	**151 189**

Restricted cash specification:

Amounts in NOK thousands	2019	2018
Income tax withholding from employee	2 788	2 504
Rent deposits [1]	3 430	3 450
Other [1]	251	249
Total restricted cash	**6 470**	**6 203**

1 Classified as Receivables.

20. Share capital and shareholder information

Targovax raised gross proceeds of NOK 74 million in a private placement in first quarter 2019 through the allocation of 10,521,973 new shares at a subscription price of NOK 7.0 per share. The transaction was approved by the General Assembly on 30 April 2019. Following the private placement, the company completed a subsequent offering, raising gross proceeds of NOK 1 million through a share issue of 142 457 shares at NOK 7.00 per share.

Share capital as at 31 December 2019 is 6 338 361.30 (31 December 2018: 5 261 644.8) comprising 63 383 613 ordinary shares at nominal value NOK 0.10 (31 December 2018: 52 616 448 at NOK 0.10). All shares carry equal voting rights.

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

	2019	2018
Ordinary shares at beginning of period	52 616 448	52 609 867
Share issuance - private placement and repair offering	10 664 430	-
Share issuance, employee share options and RSUs	102 735	6 581
Ordinary shares at end of period	**63 383 613**	**52 616 448**

The 20 largest shareholders are as follows at 31 December 2019:

Shareholder	# shares	%
HealthCap	12 405 584	19.6 %
Radiumhospitalets Forskningsstiftelse	4 427 255	7.0 %
VPF Nordea Kapital	1 633 448	2.6 %
Nordnet Bank AB	1 472 557	2.3 %
Nordnet Livsforsikring AS	1 462 436	2.3 %
Thorendahl Invest AS	1 365 000	2.2 %
VPF Nordea Avkastning	1 344 274	2.1 %
Danske Bank AS	878 089	1.4 %
Prieta AS	720 000	1.1 %
Verdipapirfondet Nordea Norge Plus	686 203	1.1 %
J.P. Morgan Bank Luxembourg S.A.	670 000	1.1 %
Sundt AS	650 000	1.0 %
Verdipapirfondet KLP AksjeNorge	578 178	0.9 %
Morgan Stanley & Co. International	550 451	0.9 %
Kommunal Landspensjonskasse	453 066	0.7 %
Timmuno AS	445 118	0.7 %
Per-Øivind Wold	416 844	0.7 %
Avanza Bank AB	332 632	0.5 %
Yngve Supun Lillesund	325 258	0.5 %
The Bank of New York Mellon SA/NV	303 110	0.5 %
20 largest shareholders	**31 119 503**	**49.1 %**
Other shareholders (4 278)	32 264 110	50.9 %
Total shareholders	**63 383 613**	**100.0 %**

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 %**

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	2019	2018
Loss for the period	-147 529	-147 015
Average number of outstanding shares during the period	60 769	52 612
Earnings/ loss per share - basic and diluted	-2.43	-2.79

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, February 2012 and December 2013, respectively, in the total outstanding amount of EUR 6.3 million as of 31 December 2019 (EUR 6 .3 million as of 31 December 2018). EUR 0.9 million of the total debt EUR 6.3 million was short-term as per 31 December 2018. The Group was granted an extension of the repayment-free period in 2019, hence no short-term loan as per 31 December 2019.

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 usually 10 years, of which the first five years are free of repayment. Two of the loans are repaid in equal annual installments during the latter five years, (2021-2025 and 2022-2026) and one during the latter six years (2021-2026). 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%. Due to the extension of the repayment-free period of the loans in 2019, NOK 5.9 million was recognized as finance income in 2019.

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 3.1 million has been recorded in the statement of profit or loss and other comprehensive income as at 31 December 2019, and NOK 3.6 million as at 31 December 2018.

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 2018	**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**
Cash flow from financing activities	-
Exchange differences	-397
Additions financial liabilities	
Change to loan repayment schedules	-5 861
Other transactions without cash settlement	3 640
Interest-bearing liabilities 31 December 2019	**50 441**

An additional loan approval of EUR 0.5 million was granted to one of the existing Business Finland loans during 1st quarter 2020.

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	2019	2018
Interest-bearing liabilities	-	9 127
Short-term lease liabilities	3 241	-
Trade and other payables	11 136	12 372
Financial liabilities	**14 378**	**21 498**
Other liabilities	36 312	37 878
Total current liabilities	**50 690**	**59 377**

23. Events after the reporting date

Post-period highlights

- In January 2020, Targovax successfully completed a private placement, raising gross proceeds of approximately NOK 101 million (USD 11.2 million), raising gross proceeds of approximately NOK 101 million (USD 11.2 million) through the allocation of 12,627,684 new shares (the “New Shares”) at a subscription price of NOK 8.00 per share (the “Subscription Price”). The Private Placement took place through an accelerated book building process after close of market on 22 January 2020.

  DNB Markets, a part of DNB Bank ASA, Carnegie AS and Roth Capital Partners, LLC acted as joint bookrunners (the “Managers”) in connection with the Private Placement. The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in Norway, Sweden, UK and the US and the book was covered multiple times.

  The Company intends to use the net proceeds from the Private Placement to finance its ongoing clinical development in mesothelioma, melanoma and peritoneal cancer and extend cash runway through 2020, as well as for manufacturing development activities and general corporate purposes.

  The Private Placement and the issuance of the New Shares was resolved by the Company’s board of directors (the “Board”) at a board meeting held on 22 January 2020, based on the authorization granted at the Company’s annual general meeting held on 30 April 2019.

  Following registration of the new share capital pertaining to the Private Placement with the Norwegian Register of Business Enterprises, which took place on 28 January 2020, the Company has an issued share capital of NOK 7,601,129.70, divided into 76,011,297 shares, each with a par value of NOK 0.10.

- In January 2020, Targovax presented encouraging data in mesothelioma study combining ONCOS-102 and standard of care chemotherapy.
- An additional loan approval of EUR 0.5 million was granted to one of the existing Business Finland loans in January 2020.

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

TARGOVAX ASA 2019

Accounts and notes

Contents

Statement of profit or loss
Targovax ASA

Amounts in NOK thousands expect per share	*Note*	2019	2018
Other revenues	6,10	16 308	14 671
Total revenue		**16 308**	**14 671**
External R&D expenses	7,8	-13 225	-20 817
Payroll and related expenses	7,8,9,10,11	-45 035	-48 264
Other operating expenses	7,8,12	-19 567	-20 150
Depreciation, amortizations and write downs	15,16,17	-1 799	-71
Total operating expenses		-79 625	**-89 302**
Operating profit/loss (-)		-63 317	**-74 632**
Finance income	13	1 524	2 995
Finance expense	13	-339	-123
Net finance income (expense)		1 185	**2 872**
lh			
Loss before income tax		-62 132	**-71 760**
Income tax expense	14		
Loss for the period		-62 132	**-71 760**
Earnings/loss (-) per share			
Basic and dilutive earnings/loss (-) per share	20	-1.02	-1.36

Statement of comprehensive income
Targovax ASA

Amounts in NOK thousands expect per share data	2019	2018
Income/loss (-) for the period	-62 132	-71 760
Items that may be reclassified to profit or loss:		
Exchange differences arising from the translation of foreign operations		
Total comprehensive income/loss (-) for the period	**-62 132**	**-71 760**

Statement of financial position
Targovax ASA

Amounts in NOK thousands	*Note*	31.12.2019	31.12.2018
ASSETS			
Investments in subsidiaries	15	509 974	418 825
Property, plant, and equipment	16	35	95
Right-of use assets	17	1 533	-
Total non-current assets		**511 542**	**418 920**
Receivables	8,10,13,18	11 674	17 708
Cash and cash equivalents	19	53 984	140 998
Total current assets		**65 657**	**158 706**
TOTAL ASSETS		**577 199**	**577 627**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	20	6 338	5 262
Share premium reserve		886 899	821 131
Other reserves		41 673	36 656
Retained earnings		-375 262	-313 130
Total equity		**559 648**	**549 919**
Current liabilities			
Short-term lease liabilities	17	1 533	-
Accounts payable and other current liabilities	21	2 662	6 286
Accrued public charges	21	3 657	3 209
Other short-term liabilities	21	9 700	18 213
Total current liabilities		**17 551**	**27 708**
TOTAL EQUITY AND LIABILITIES		**577 199**	**577 627**

Oslo, 10 March 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 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**
Loss for the period					-62 132	-62 132
Other comprehensive income/loss, net of tax						-
Total comprehensive income for the period					**-62 132**	**-62 132**
Issue of ordinary shares - Capital increase - Private Placement & Subsequent offering	20	1 066	73 585	-	-	74 651
Transaction costs - Private Placement & Subsequent offering	20	-	-7 788	-	-	-7 788
Share issuance, employee share options	20	10	-28	-	-	-18
Recognition of share-based payments & RSU's	11	-	-	5 016	-	5 016
Balance at 31 December 2019		**6 338**	**886 899**	**41 673**	**-375 262**	**559 648**

Statement of cashflow – Targovax ASA

Amounts in NOK thousands	*Note*	2019	2018
Cash flow from operating activities			
Loss before income tax		-62 132	-71 760
Adjustments for:			
Finance income	13	-1 524	-2 995
Finance expense	13	339	123
Interest received	13	1 524	1 549
Other finance expense	13	-62	-51
Share option expense	11	5 016	10 976
Depreciation	16,17	1 799	71
Change in receivables	18	-9 120	-19 572
Change in other current liabilities	21	-11 689	8 550
Net cash flow from /(used in) operating activities		**-75 849**	**-73 110**
Cash flow from investing activities			
Investment in subsidiary	15	-75 995	-31 714
Net cash received from/(paid in) investing activities		**-75 995**	**-31 714**
Cash flow from financing activities			
Repayment of lease liabilities	17	-1 710	-
Share issue expense - Private Placement and repair offering	20	-7 788	-
Proceeds from issuance of shares -Private Placement and repair offering	20	74 651	-
Proceeds from exercise of options	20	-18	-30
Net cash generated from financing activities		**65 135**	**-30**
Net increase/(decrease) in cash and cash equivalents		-86 709	-104 853
Net exchange gain/loss on cash and cash equivalents		-305	1 375
Cash and cash equivalents at beginning of period		140 998	244 477
Cash and cash equivalents at end of period	19	**53 984**	**140 998**

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 immuno-oncology company developing oncolytic viruses 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 cancer cells and activate the immune system to fight the cancer. 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 Company has also developed 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. Targovax has decided that further development needs to be done through collaborations and partnerships, and not with trials financed by Targovax.

These financial statements have been approved for issue by the Board of Directors on 10 March 2020 and are subject to approval by the Annual General Meeting in April 2020.

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 2019 and earlier have been adopted for all periods presented in these financial statements.

In 2019 the Company implemented the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019.

• IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The result of implementing IFRS 16 was that almost all leases were recognized on the balance sheet by lessees, as the distinction between operating and finance leases was 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 has applied 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.

None of the other 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 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.4 Going concern

As a result of the private placement in the first quarter 2020 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 10 March 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 2019 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 2019 and 2018:

	2019		2018	
Amounts in NOK thousands	1% point increase	1% point decrease	1% point increase	1% point decrease
Loss before income tax effect	540	-540	1 410	-1 410

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 2019 and 2018.

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

	2019		2018	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	684	- 684	1 862	- 1862

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

	2019		2018	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	522	-522	1 106	-1 106

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

	2019		2018	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	207	-207	462	-462

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

	2019		2018	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	-14	14	-207	207

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:

	2019		2018		Rating
Amounts in NOK thousands	Amount	In %	Amount increase	In %	
Cash at bank:	27 908	52%	53 346	38%	
Nordea Bank AB	27 902	52%	53 345	38%	**AA-**
DNB Bank ASA	6	0%	2	0%	**AA-**
Money market funds:	**26 075**	**48%**	**87 652**	**62%**	
Nordea Likviditet III	26 075	48%	87 652	62%	
Total	**53 984**	**100%**	**140 998**	**100%**	

Fair value of financial instruments

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

	2019		2018	
Amounts in NOK thousands	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	11 674	11 674	17 708	17 708
Cash and cash equivalents	53 984	53 984	140 998	140 998
Total financial assets	**65 657**	**65 657**	**158 706**	**158 706**
Lease liabilities	1 533	1 533	-	-
Accounts payable and other current liabilities	2 662	2 662	6 286	6 286
Total financial liabilities	**4 195**	**4 195**	**6 286**	**6 286**

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 2020, sufficient cash available to meet its obligations as at 31 December 2019 and related to planned activities in the next 12 months. Hence, the Company is funded into 2021, 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 2019 and 2018 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 2019

(Amounts in NOK thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Lease liabilities		397	1 192			1 590
Accounts payable and other current liabilities	-	2 662	-	-	-	2 662
Accrued public charges	-	3 657	-	-	-	3 657
Other short-term liabilities	-	9 700	-	-	-	9 700
Total	**-**	**12 416**	**1 192**	**-**	**-**	**17 608**

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**

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	**2019**	**2018**
Revenue from subsidiary	14 081	14 671
Other revenue	2 228	-
Total operating revenue	16 308	14 671

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

At end of 2019, the Company entered into an exclusive option agreement with IOVaxis Therapeutics of Nantong, China, for clinical development and licensing of the Targovax mutant RAS vaccines TG01 and TG02 in China, Hong Kong, Macau and Singapore. The option can be exercised into an exclusive license by the earlier of i) the first regulatory approval to start a clinical trial in the territory, or ii) one year from the effective date of the Option Agreement. IOVaxis will pay the Company USD 250.000 for this exclusive option, and the total payment was received at end of February 2020. The milestone payment for the exercise of the option to license TG01/02 is USD 3 million.

Under the Option Agreement, IOVaxis and Targovax will jointly define a development plan in the territory, and IOVaxis will be responsible for all local regulatory filings and be the sponsor of clinical trials. The full License Agreement remains to be finalized, but the parties have pre-agreed the key commercial and operational terms in the Option Agreement. If exercised, the total potential development and commercial milestones for the TG01/02 license may reach up to USD 100 million, plus tiered royalties on net sales up to mid double digits.

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:

	2019		**2018**	
Amounts in NOK thousands	Total	Of which R&D	Total	Of which R&D
External R&D expenses	13 225	13 225	20 817	20 817
Payroll and related expenses	45 035	22 027	48 264	26 295
Other operating expenses	19 567	400	20 150	785
Depreciation, amortizations and write downs	1 799	-	71	-
Total	**79 625**	**35 651**	**89 302**	**47 898**

The following external research and development expenditures have been expensed:

Amounts in NOK thousands	**2019**	**2018**
R&D related consultancy and other expenses	12 730	19 146
Cost of manufacturing for R&D	1 195	1 914
Patent expenses	2 634	3 834
Government grants	-3 334	-4 077
Total external research and development expenses	**13 225**	**20 817**

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	**2019**	**2018**
External R&D expenses	3 334	4 077
Payroll and related expenses	592	1 105
Other operating expenses	38	80
Total grants	**3 964**	**5 263**

For the full year 2019 the Company has, for SkatteFUNN projects, recognized NOK 4.0 million (NOK 5.2 million in 2018) as cost reduction in External R&D expenses, Payroll and related expenses and Other operating expenses.

In 2019, NOK 0 million (NOK 0.02 million in 2018) 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	**2019**	**2018**
Grants from SkatteFUNN	3 964	5 243
Grants from the Research Council of Norway	-	20
Total grants receivable	**3 964**	**5 263**

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	2019	2018
Salaries and bonus	28 076	30 972
Employer's national insurance contributions	4 344	4 507
Share-based compensation [1)]	5 016	10 976
Pension expenses – defined contribution plan	1 161	1 383
Restructuring costs [2)]	5 258	-
Other	1 770	1 530
Governmental grants	-592	-1 105
Total payroll and related expenses	**45 035**	**48 264**

1) Share-based compensation has no cash effect.

2) Following the decision to fully focus on the ONCOS platform, the number of employees was reduced, and the Company estimated a total restructuring costs of NOK 5.2 million. NOK 4,5 million was paid in 2019, hence a remaining provision of NOK 0,7 million at end of 2019.

Number of employees calculated on a full-time basis as at end of period	15.0	20.6
Number of employees as at end of period	15	21

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 the only difference between the Group and the Company concerning Management Team remunerations is that Kristiina Hyvarinen, CMC Manager Helsinki, is employed by Targovax ASA's subsidiary Targovax Oy, 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:

	2019		2018	
Amounts in NOK thousands	Revenue (expense)	Receivable (Payable) at 31 December	Revenue (expense)	Receivable (Payable) at 31 December
Subsidiaries:				
expense related to subsidiaries	-897		-481	
receivables related to subsidiaries		2 997		7 917
revenue related to subsidiaries	14 081		14 671	

Remuneration to the statutory auditor (excl. VAT):

Amounts in NOK thousands	2019	2018
Statutory audit	429	225
Other attestation services	-	-
Tax services	50	210
Other services	138	153
Total	**618**	**588**

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 2018 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 2019.

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 2 351 000 share options during 2019 and 1 429 000 share options during 2018.

As of 31 December 2019, there are in total 6 028 642 (4 252 304 at 31 December 2018) outstanding options for all option programs, 5 938 234 (4 161 896 at 31 December 2018) options under the LTI Option Program and 90 408 (90 408 at 31 December 2018) 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 2019 and 2018 is estimated at average of 67,95% and 76,66 %%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2019 and 2018 is 1,25% and 1,11%.

The following table shows the changes in outstanding options in 2019 and 2018:

	2019		2018	
	No. of options	Weighted avg. exercise price (in NOK)	No. of options	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	4 252 304	19.61	3 466 634	21.06
Granted during the period	2 351 000	6.97	1 429 000	15.95
Exercised during the period	-	-	-	-
Forfeited	-574 662	13.57	-449 582	17.83
Expired	-	-	-193 748	22.63
Outstanding no. of options at end of period	**6 028 642**	**15.26**	**4 252 304**	**19.61**

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 2019 was 3.42 per share and 8.53 per share in 2018. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2019 and 2018 were:

Amounts in NOK thousands	2019	2018
Volatility (%)	67.95	76.66
Expected life (in years)	3.66	3.65
Risk-free interest rate (%)	1.25	1.11
Share price (NOK)	6.95	15.85
Exercise price (NOK)	6.97	15.95

The expensed share options, NOK 4.6 million in 2019 (Targovax ASA: NOK 3.9 million and Targovax OY: NOK 0.6 million) and NOK 10.6 million in 2018 (Targovax ASA: NOK 9.6 million and Targovax OY: NOK 1.0 million), includes management estimate for employee turnover. The estimated turnover rate used for the year 2019 and 2018 was 0%.

At 31 December 2019, 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 12/31/2019	Weighted average remaining contractual life	Weighted average remaining years until vesting	Weighted average exercise price	Vested outstanding per 12/31/2019	Weighted average exercise price	Weighted average remaining life vested
0.00-0.51	64 872	2.50	1.93	0.51	14 833	0.51	2.50
0.51-7.50	1 390 000	6.92	2.07	6.45	-	0.00	0.00
7.50-9.30	906 000	5.57	0.95	8.01	142 281	9.06	3.79
9.30-12.39	559 983	4.11	0.40	11.61	354 427	11.99	3.51
12.39-21.50	1 093 060	3.96	0.37	18.37	686 666	18.78	3.34
21.50-21.96	824 770	3.30	0.16	21.96	624 720	21.96	3.00
21.96-25.00	1 078 943	1.41	0.00	25.00	1 078 943	25.00	1.41
25.00-37.60	111 014	2.44	0.02	36.58	107 466	36.92	2.38
Total	**6 028 642**	**4.31**	**0.77**	**15.26**	**3 009 336**	**20.97**	**2.58**

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 vesting	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
7.50-9.30	210 500	5.07	0.63	8.98	96 781	9.05	4.79
9.30-12.39	604 372	5.50	0.95	11.67	205 062	12.36	4.83
12.39-21.50	1 221 298	5.27	0.95	18.24	267 771	20.73	2.71
21.50-21.96	961 248	4.84	0.64	21.96	421 608	21.96	4.61
21.96-25.00	1 079 000	2.57	0.03	25.00	956 752	25.00	2.55
25.00-37.60	111 014	3.44	0.07	36.58	104 970	37.17	3.33
Total	**4 252 304**	**4.44**	**0.63**	**19.61**	**2 067 777**	**22.27**	**3.37**

From 1 January 2020 to 10 March 2020 no additional share options were granted to Management Team or other employees.

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 2019-2020 have been set out in the minutes from the Annual General Meeting 30 April 2019. The Annual General Meeting 30 April 2019 decided to remunerate the Board of Directors for the period between the AGM 2019 to the AGM 2020 with a combination of cash and Restricted Stock Units (RSUs), hence at the 30 April 2019, additional 170 367 RSU's were granted to the Board of Directors.

The average fair value of RSUs granted in 2019 was 6.25 per share and 15.54 per share in 2018. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2019 and 2018 were:

Amounts in NOK thousands	2019	2018
Volatility (%)	75.82	49.06
Expected life (in years)	1	1
Risk-free interest rate (%)	1.24	0.7
Share price (NOK)	6.35	15.64
Exercise price (NOK)	0.1	0,1

The expensed RSUs in 2019 and 2018 was NOK 1.1 million and NOK 1.4 million. A total of 268 060 RSUs was outstanding at 31 December 2019.

The following table shows the changes in outstanding RSUs in 2019 and 2018:

	2019		2018	
	No. of RSU's	Weighted avg. exercise price (in NOK)	No. of RSU's	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	200 428	0.10	119 411	0.10
Granted during the period	170 367	0.10	87 598	0.10
Exercised during the period	-102 735	0.10	-6 581	0.10
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding no. of Restricted Stock Units at end of period	**268 060**	**0.10**	**200 428**	**0.10**

From 1 January 2020 to 10 March 2020 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	**2019**	**2018**
Consultancy, advisors' expenses and IR	9 553	10 177
Travel expenses	2 572	3 900
Facilities expenses	610	2 279
IT services and IT-related accessories	1 560	1 288
Conferences and training	552	769
Other	1 269	1 817
Impaired debt – Targovax Solutions LLC	3 488	-
Government Grants	-38	-80
Total operating expenses	**19 567**	**20 150**

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 2019 and 2018 the Company has TNOK 1 756 and TNOK 0 in trade receivables, TNOK 3 964 and TNOK 5 263 in government grant receivables and the Company has TNOK 979 and TNOK 977 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	**2019**	**2018**
Interest income on bank deposit	75	36
Interest income on Money Market fund, Nordea Likviditet III	1 423	1 501
Interest income on tax repaid	25	12
Net currency gain - bank and other operating items	-	1 446
Total finance income	**1 524**	**2 995**

Finance expense is:

Amounts in NOK thousands	**2019**	**2018**
Interest expense on lease liabilities	-29	-
Other interest expense	51	122
Net currency loss - bank and other operating items	315	-
Other finance expense	2	1
Total finance expense	**339**	**123**

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 402 million at 31 December 2019 (31 December 2018: NOK 336 million).

No current or deferred tax charge or liability has been recognized for 2019.

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

Amounts in NOK thousands	**2019**	**2018**
Fixed assets	-53	-15
Share options and RSUs	-336	-172
Financial instruments	152	-278
Tax loss carried forward	-401 782	-336 165
Temporary differences and tax losses carried forward at 31.12	-402 018	-336 629
Deferred tax asset (22% (2018;22%)) not recognized	88 444	74 058
Deferred tax asset	-	-

Amounts in NOK thousands	**2019**	**2018**
Loss before income tax	**-62 132**	**-71 760**
Tax calculated at (22%) / (23%)	-13 669	-16 505
Tax effect permanent differences	-717	1 322
Tax effect of change in tax rates	-	3 366
Change in deferred tax not recognized	14 386	11 816
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 2019 Annual report for the Targovax Group for further details on the excess value of the intangible assets related to the investment in Targovax OY. Targovax Solutions LLC is under liquidation.

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 34 904 at 31 December 2019 and 95 400 at 31 December 2018 consist mainly of office equipment. No impairment losses have been recognized. No development costs have been recognized as assets as per 31 December 2019.

Amounts in NOK thousands	Furniture, fittings & equipment	Total
Cost:		
2018		
Opening balance	356	356
Additions	-	-
At 31 December 2018	356	356
2019		
Opening balance	356	356
Additions	-	-
At 31 December 2019	356	356
Accumulated depreciation and impairment:		
2018		
Opening balance	189	189
Depreciation and impairment charge	71	71
At 31 December 2018	261	261
2019		
Opening balance	261	261
Depreciation and impairment charge	60	60
At 31 December 2019	321	321
Carrying amount:		
At 31 December 2018	**95**	**95**
At 31 December 2019	**35**	**35**

17. Leases

Implementation of IFRS 16 Leases

The Company has implemented the new standard effective 1 January 2019. IFRS 16 replaces 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 with an effective date of 01 January 2019. The new standard requires lessees to recognize nearly all leases on the balance sheet, 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 has applied the standard from its mandatory adoption date of 1 January 2019. The Company applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. Right-of-use assets are measured at the amount of the lease liability on adoption.

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 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 recognized right-of-use assets of 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 operating profit/loss increased by approximately NOK 0.03 million and net profit after tax decreased by approximately NOK 0 million for 2019 as a result of adopting the new rules.

Operating cash flows increase, and financing cash flows decrease by approximately NOK 1.7 million in 2019 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**

Amounts in NOK thousands	*01.01.2019*	*Effects from IFRS 16*	*31.12.2018*
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**

Right-of-use assets

The Group leases offices and other facilities, machinery and equipment. The Group's right-of-use assets are categorized and presented in the table below:

Right-of use assets	**Buildings**	**Total**
Amounts in NOK thousands		
Acquisition cost 1 January 2019	**3 271**	**3271**
Acquisition cost 31 December 2019	**3 271**	**3 271**
Accumulated depreciation and impairment 1 January 2019	**-**	**-**
Depreciation	1 738	1 738
Accumulated depreciation and impairment 31 December 2019	**1 738**	**1 738**
Carrying amount of right-of-use assets 31 December 2019	**1 533**	**1 533**
Remaining lease term	1 year	

Lease liabilities

Summary of the lease liabilities		**Total**
Amounts in NOK thousands		
At initial application 01.01.2019	**3 271**	**3 271**
New lease liabilities recognized in the year	-	-
Cash payments for the principal portion of the lease liability	- 1 710	-1
Cash payments for the interest portion of the lease liability	-	-
Interest expense on lease liabilities	-29	-29
Currency exchange differences	-	-
Total lease liabilities at 31 December 2019	**1 533**	**1 533**
Summary of other lease expenses recognized in profit or loss		
Variable lease payments expensed in the period	**-**	**-**
Operating expenses in the period related to short-term leases (including	170	170
Operating expenses in the period related to low value assets (excluding	-	-
Total lease expenses included in other operating expenses	**170**	**170**

Please see note 21. Current liabilities for current lease liabilities and Statement of cash flow for cash outflow for leases.

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	**2019**	**2018**
Trade receivables	1 756	-
Receivable from subsidiaries	2 997	7 917
Receivable government grants	3 964	5 263
Short-term deposits	979	977
Financial asset receivables	**9 700**	**14 157**
Other receivables	1 977	3 551
Total receivables	**11 674**	**17 708**

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	**2019**	**2018**
Bank deposits	27 908	53 346
Money Market fund, Nordea Likviditet III	26 075	87 652
Total cash and cash equivalents	**53 984**	**140 998**

Restricted cash specification:

Amounts in NOK thousands	**2019**	**2018**
Income tax withholding from employee compensation	2 788	2 504
Rent deposits [1]	979	977
Total restricted cash	**3 768**	**3 482**

1 Classified as Receivables.

20. Share capital and shareholder information

Targovax raised gross proceeds of NOK 74 million in a private placement in first quarter 2019 through the allocation of 10,521,973 new shares at a subscription price of NOK 7.0 per share. The transaction was approved by the General Assembly on 30 April 2019. Following the private placement, the company completed a subsequent offering, raising gross proceeds of NOK 1 million through a share issue of 142 457 shares at NOK 7.00 per share.

Share capital as at 31 December 2019 is 6 338 361.30 (31 December 2018: 5 261 644.8) comprising 63 383 613 ordinary shares at nominal value NOK 0.10 (31 December 2018: 52 616 448 at NOK 0.10). All shares carry equal voting rights.

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

	2019	2018
Ordinary shares at beginning of period	52 616 448	52 609 867
Share issuance - private placement and repair offering	10 664 430	-
Share issuance, employee share options and RSUs	102 735	6 581
Ordinary shares at end of period	**63 383 613**	**52 616 448**

The 20 largest shareholders are as follows at 31 December 2019:

Shareholder	# shares	%
HealthCap	12 405 584	19.6 %
Radiumhospitalets Forskningsstiftelse	4 427 255	7.0 %
VPF Nordea Kapital	1 633 448	2.6 %
Nordnet Bank AB	1 472 557	2.3 %
Nordnet Livsforsikring AS	1 462 436	2.3 %
Thorendahl Invest AS	1 365 000	2.2 %
VPF Nordea Avkastning	1 344 274	2.1 %
Danske Bank AS	878 089	1.4 %
Prieta AS	720 000	1.1 %
Verdipapirfondet Nordea Norge Plus	686 203	1.1 %
J.P. Morgan Bank Luxembourg S.A.	670 000	1.1 %
Sundt AS	650 000	1.0 %
Verdipapirfondet KLP AksjeNorge	578 178	0.9 %
Morgan Stanley & Co. International	550 451	0.9 %
Kommunal Landspensjonskasse	453 066	0.7 %
Timmuno AS	445 118	0.7 %
Per-Øivind Wold	416 844	0.7 %
Avanza Bank AB	332 632	0.5 %
Yngve Supun Lillesund	325 258	0.5 %
The Bank of New York Mellon SA/NV	303 110	0.5 %
20 largest shareholders	**31 119 503**	**49.1 %**
Other shareholders (4 278)	32 264 110	50.9 %
Total shareholders	**63 383 613**	**100.0 %**

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 %**

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	**2019**	**2018**
Loss for the period	-62 132	-71 760
Average number of outstanding shares during the period	60 769	52 612
Earnings/ loss per share - basic and diluted	**-1.02**	**-1.36**

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 short-term lease liabilities, trade and accounts payable and other current liabilities as withholding taxes and accrued expenses and are classified as "current liabilities". Short-term lease liabilities are classified as current liabilities if payment is due within one year or less. 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	**2019**	**2018**
Short-term lease liabilities	1 533	-
Trade and other payables	2 662	6 286
Financial liabilities	**4 195**	**6 286**
Other liabilities	13 357	21 422
Total current liabilities	**17 551**	**27 708**

22. Events after the reporting date

Post-period highlights

- In January 2020, Targovax successfully completed a private placement, raising gross proceeds of approximately NOK 101 million (USD 11.2 million), raising gross proceeds of approximately NOK 101 million (USD 11.2 million) through the allocation of 12,627,684 new shares (the “New Shares”) at a subscription price of NOK 8.00 per share (the “Subscription Price”). The Private Placement took place through an accelerated bookbuilding process after close of market on 22 January 2020.

  DNB Markets, a part of DNB Bank ASA, Carnegie AS and Roth Capital Partners, LLC acted as joint bookrunners (the “Managers”) in connection with the Private Placement. The Private Placement attracted strong interest from existing shareholders and new institutional investors, both in Norway, Sweden, UK and the US and the book was covered multiple times.

  The Company intends to use the net proceeds from the Private Placement to finance its ongoing clinical development in mesothelioma, melanoma and peritoneal cancer and extend cash runway through 2020, as well as for manufacturing development activities and general corporate purposes.

  The Private Placement and the issuance of the New Shares was resolved by the Company’s board of directors (the “Board”) at a board meeting held on 22 January 2020, based on the authorization granted at the Company’s annual general meeting held on 30 April 2019.

  Following registration of the new share capital pertaining to the Private Placement with the Norwegian Register of Business Enterprises, which took place on 28 January 2020, the Company has an issued share capital of NOK 7,601,129.70, divided into 76,011,297 shares, each with a par value of NOK 0.10.

- In January 2020, Targovax presented encouraging data in mesothelioma study combining ONCOS-102 and standard of care chemotherapy

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

pwc

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 2019, 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 2019, 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 2019, 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 2019, 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.

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 367 076 thousand as of 31 December 2019. 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 2019. 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 judgmental. 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:

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- 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, 10 March 2020
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant

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