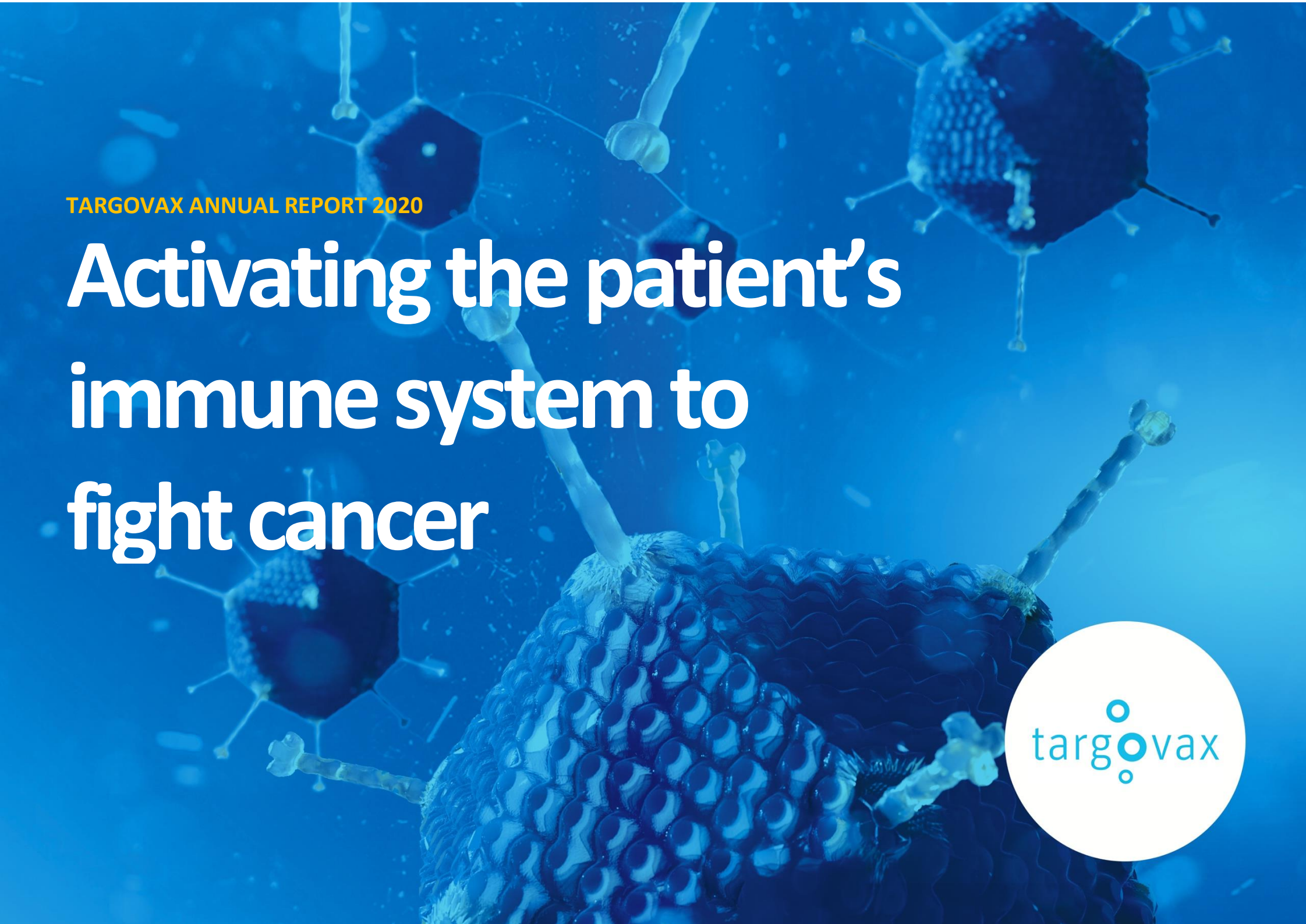
TARGOVAX ANNUAL REPORT 2020

Activating the patient's immune system to fight cancer



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

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

Immunotherapy has revolutionized cancer treatment over the past decade, introducing novel drugs that enable the patient's own immune system to fight the cancer. Today, millions of patients benefit from immunotherapy, and some are cured. This breakthrough has been led by the immune checkpoint inhibitors, which have rapidly grown into a market worth USD 25bn globally.

Despite this early success, most patients still do not respond to checkpoint inhibitor treatment, and the new frontier in cancer therapy is to identify tailored combination approaches that can unlock the benefits of immunotherapy to more patients. Targovax is a frontrunner in this space, as demonstrated by several strong clinical data read-outs in 2020 confirming the potential of our lead candidate, ONCOS-102, to trigger robust immune activation that translates into better clinical outcomes for patients.

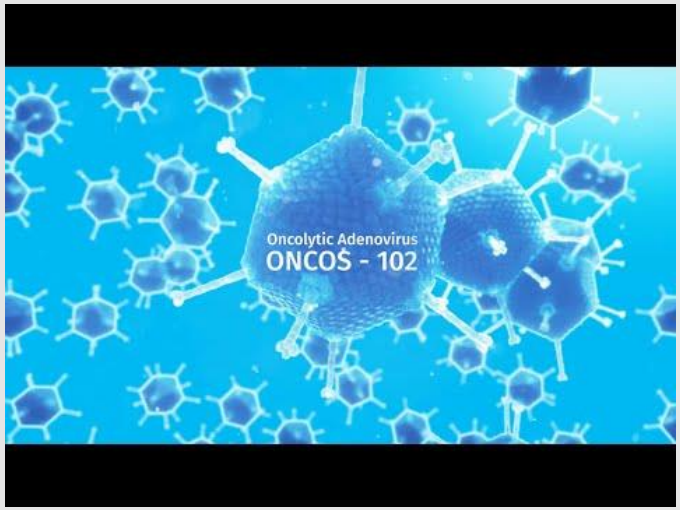
About Targovax

Activating the patient's immune system to fight cancer

Targovax (OSE:TRVX) is a clinical stage immuno-oncology company developing immune activators to target hard-to-treat solid tumors. Targovax aims to unlock greater clinical benefits in cancer patients by deploying multifunctional platforms to target key immune regulators and oncogenic drivers. Targovax's focus is to "activate the patient's immune system to fight cancer", thus extending and transforming the lives of cancer patients with targeted therapeutic cancer immunotherapies. Targovax's pipeline aims at different cancer indications, including melanoma, mesothelioma and colorectal cancer. The products are designed to harness the patient's own immune system to fight the cancer, whilst also delivering a favorable safety and tolerability profile.

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. On the back of very encouraging data in several indications, in monotherapy and in multiple combination, the next development steps for ONCOS-102 will involve a clinical trial with registration intent in checkpoint inhibitor refractory melanoma.

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.



TARGOVAX VISION

Targovax aims to unlock greater clinical benefits in cancer patients by deploying multifunctional platforms to target key immune regulators and oncogenic drivers

CLASS-LEADING CLINICAL DATA

Lead compound ONCOS-102 with class-leading clinical data in monotherapy and combinations with chemo and checkpoint inhibitor

Powerful immune activation in several settings and indications

CEO Statement

"With solid data from our melanoma trial, we set our sights at new horizons"

2020 has been a special year in many aspects and the COVID-19 pandemic made quite an impact on our lives. Luckily, in Targovax we have so far been able to cope well, and 2020 brought us considerably closer to our goal of being able to bring important clinical benefit to cancer patients, and thus extend and transform their lives. Class-leading melanoma data, improved mesothelioma survival outcomes, compelling immune activation, an expanding pipeline and a rejuvenated mutant RAS program provide us with a solid platform to reach this goal. Our successes were made possible by the impressive efforts from our hard-working team, and our world leading partners.

Breakthrough year

Immunotherapy has revolutionized cancer treatment over the past decade, introducing novel drugs that enable the patient's own immune system to fight the cancer. Today, millions of patients benefit from immunotherapy, and some are even cured. For Targovax, 2020 marked a breakthrough year for the ONCOS-102 development program. The three clinical trials in melanoma, mesothelioma and colorectal cancer all reached important milestones, confirming the immune activating mode of action of ONCOS-102 in multiple cancers and demonstrating clinical activity in combination with both immunotherapy and chemotherapy.

The future of ONCOS-102

With a robust data set that confirms the clinical activity of ONCOS-102 in multiple cancer types and versatility as combination therapy, we have started drawing up the next stage of development. The decisions we make now will define the benefit delivered to patients and value created for shareholders and shape the company for years to come.

With stellar data in melanoma, our top priority for 2021 will be to rapidly initiate a registration-directed trial combining ONCOS-102 with an anti-PD1 checkpoint inhibitor in this indication. In parallel, we will evaluate agile and cost-effective opportunities to bring ONCOS-102 forward in mesothelioma, colorectal cancer and/or other indications, thus retaining multiple shots on goal.

Mutant RAS platform

Targovax remains confident that mutRAS is an important and druggable target in cancer. We continue to seek academic and commercial partnerships to bring immunological targeting of mutRAS forward. We do this in two ways, by a) looking for cost effective collaborations to test the TG mutRAS cancer vaccine, and b) initiating innovative collaborations to capitalize on our mutRAS expertise and IP, ideally leveraging our ONCOS platform as a delivery tool. During 2020 we saw examples of both types of collaborations, as we sold an option to IOVaxis Therapeutics to develop and commercialize a TG vaccine in Greater China and entered into two pre-clinical collaborations with highly qualified partners.

Pre-clinical development

The ONCOS-backbone is highly versatile. During 2020 we formed several R&D collaborations to evaluate the encoding of novel payloads to create the next generation of tailored and more powerful ONCOS viruses, including functionality to target mutant RAS. The addition of the seasoned immunologist Dr. Victor Levitsky to our team as Chief Scientific Officer already proving to be instrumental in exploring and shaping this portfolio going forward.

Looking forward

I am proud of everything we have achieved so far and really look forward to an exciting 2021 where we will take the first steps in moving ONCOS-102 into the registrational development phase and towards market building value for patients, physicians and shareholders.

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, 2020 was the year when the company could read out the clinical data that document the promising clinical effect of ONCOS-102. The Covid-19 pandemic has adversely impacted drug development timelines across the industry, but it is the opinion of the Board of Directors that the Group has been somewhat spared from major impacts of the pandemic. Its development processes have all continued according to schedule.

The most important milestone for the company in 2020 was the data read-out from the anti-PD1 refractory melanoma trial, with ONCOS-102 in combination with pembrolizumab (Keytruda). Tumor responses were observed in 7 out of 20 evaluable patients, resulting in best objective response rate (ORR) of 35%. In addition, systemic effects were observed in multiple patients, including two examples where a non-injected lesion completely disappeared. These data are very strong compared to other therapies in development for the same indication in combination with anti-PD1 CPI, including TLR-9 agonists and other oncolytic viruses, which have reported ORR of ca. 25-30%. As such, the observed ONCOS-102 response rate and effect in non-injected lesions can be considered class-leading for the treatment of anti-PD1 refractory malignant melanoma and warrants further development.

The ONCOS and chemotherapy combination in malignant pleural mesothelioma (MPM) showed encouraging survival data at the 18-month analysis. Median Overall Survival (mOS) will be at least 18.2 months for first-line patients receiving ONCOS-102 plus chemotherapy, compared to mOS of 14.2 months or less in the chemotherapy-only control group. In addition, the ONCOS-102-treated patients showed broad and powerful immune activation, associated with better survival outcome.

We remain committed to the mutant RAS opportunity and our mutant RAS pipeline continues to evolve with several agreements made in 2020. The 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. An IND application to initiate clinical development of TG01 has been submitted to the Chinese National Medical Products Administration (NMPA), but the application preparation and regulatory review process has been delayed due to COVID-19 related issues. To accommodate the delay caused by these unforeseen circumstances, Targovax extended in January 2021 the license option period by 3 months. Otherwise, the option agreement remains unchanged and in force. In parallel, TG is being made available for investigator-initiated trials, and two other collaborations were made during 2020: Targovax and Valo Therapeutics entered into a research collaboration to evaluate Valo's PeptiCRAd technology as a tool to coat ONCOS oncolytic adenoviruses with Targovax's TG mutant RAS peptides, and together with Oblique Therapeutics, Targovax will evaluate the potential of using ONCOS oncolytic adenoviruses as a vector to encode and deliver Abiprot antibodies against hard-to-reach intra-cellular targets.

2020 was a truly eventful year for Targovax. Important and promising clinical readouts in melanoma, mesothelioma as well as colorectal cancer have established a basis to enter the next stage of development. The solid immune activation shown by ONCOS-102 also adds a strong rationale to develop novel compounds based on the ONCOS virus backbone. All the collaborations established during the year underlines that and enables a faster development and broader set of opportunities for next generation of immunotherapeutic drugs.

Strategy and strategic focus areas

Targovax is committed to develop innovative targeted immunotherapies to extend and transform the lives of cancer patients with hard-to-treat solid tumors. The Group is aiming to become a leading immuno-oncology development company and is testing its product candidate in multiple cancer types. The lead product candidate ONCOS-102 is ideally positioned to be combined with checkpoint inhibitors (CPIs).

The Group's strategy is to:

- Accelerate the clinical development program for ONCOS-102 to registration in combination with anti-PD1 checkpoint inhibitors (CPIs) in anti-PD1 refractory patients
- Progress preclinical drug candidates to clinical development stage
- Selectively pursue partnerships and clinical trial collaborations, both for ONCOS-102 and pipeline products

Business and technology platforms

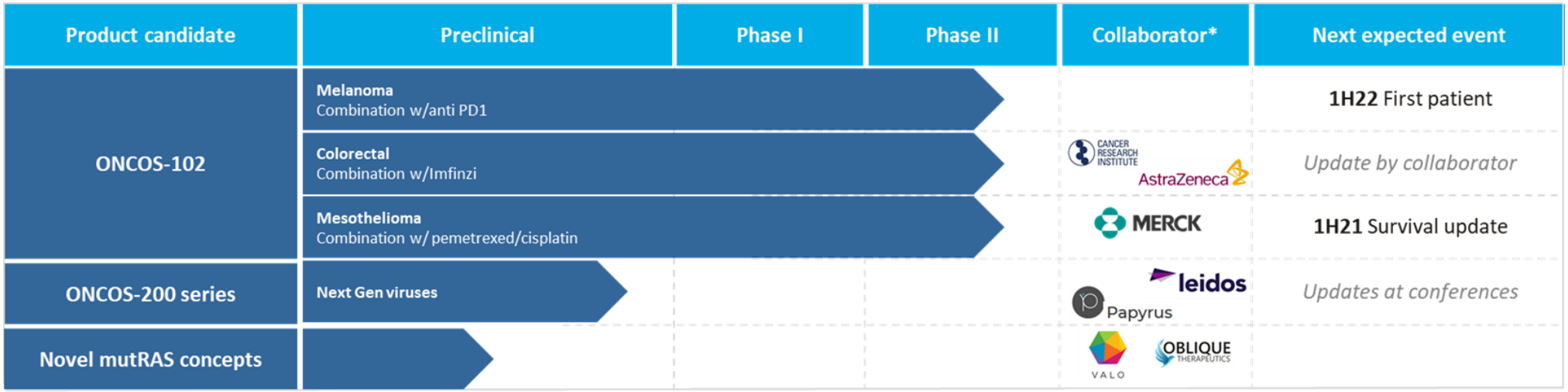
The Group's development pipeline is based on a novel proprietary platform:

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 adenovirus, together with the released GM-CSF as well as the lysis of the tumor attracts antigen presenting cells (APCs) of which the most important are dendritic cells (DCs). These APCs take up the tumor fragments and 'display' these fragments to other immune cells such as T-cells which are then activated to target and kill cancers cells bearing the same fragments.

The Group has also developed a mutant RAS peptide vaccine platform, with the two products TG01 and TG02. The Group is actively targeting partnering or licensing opportunities for these products. In addition, the Group has started exploring new mutant RAS concepts in discovery phase.

Pipeline and newsflow



ONCOS-102 clinical development program

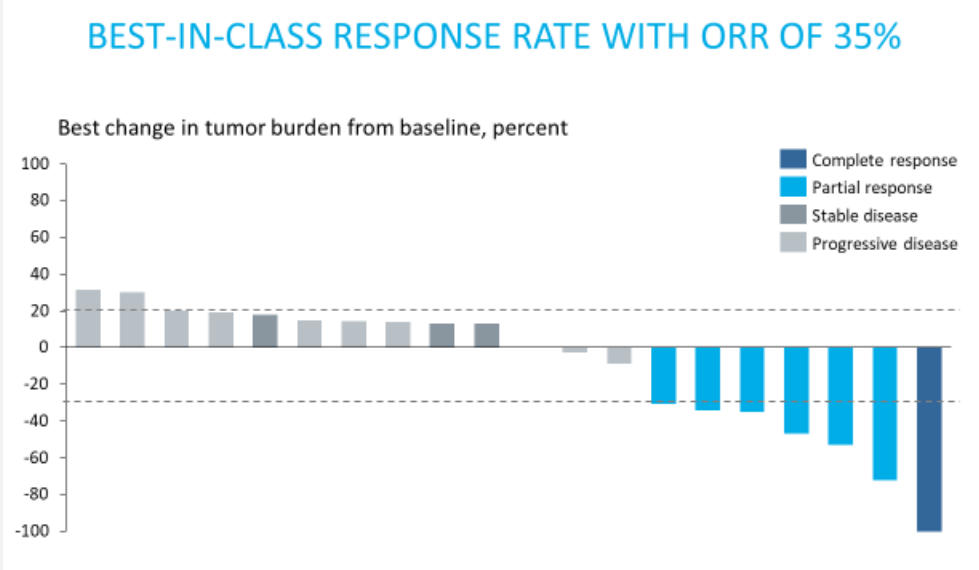
ONCOS-102 in checkpoint inhibitor refractory melanoma

The trial explored safety, immune activation, and clinical response, of ONCOS-102 and Keytruda® (pembrolizumab), an anti-PD1 checkpoint inhibitor (CPI), in patients with advanced or unresectable melanoma whose tumors have continued to grow following prior CPI therapy. The trial was conducted at the Memorial Sloan Kettering Cancer Center in New York, USA, Fox Chase Cancer Center in Philadelphia, USA and University of Maryland Comprehensive Cancer Center in Baltimore, USA.

The results were announced 1 December 2020 and showed impressive objective responses as well as effects on non-injected lesions:

- Tumor responses observed in 7 out of 20 evaluable patients, resulting in best objective response rate (ORR) of 35%
- Systemic effects observed in multiple patients, including two examples where a non-injected lesion completely regressed
- Confirmed ONCOS-102 ability to reactivate CPI refractory tumors

Based on these promising and class-leading results, Targovax intends to move on to a registration-directed trial. The company believes a single arm trial of less than 200 patients in confirmed anti-PD1 refractory melanoma patients could support an accelerated approval, subject to sufficient clinical benefit.

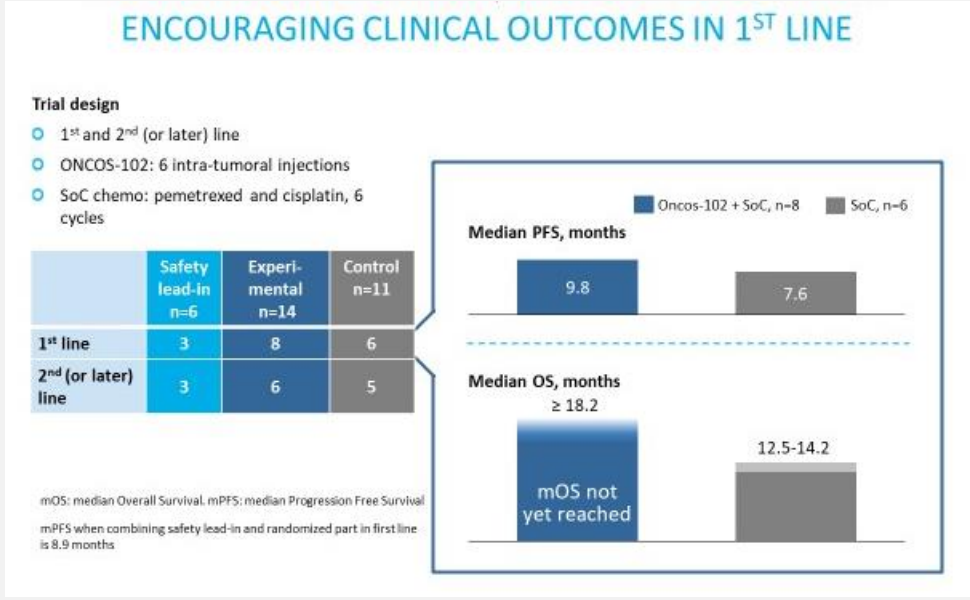


ONCOS-102 in malignant pleural mesothelioma (MPM)

The trial is an open label, exploratory phase I/II adding ONCOS-102 to standard of care (SoC) chemotherapy (pemetrexed/cisplatin) in first and second (or later) line MPM to assess safety, immune activation and clinical efficacy of the combination treatment. In total, 31 patients have been included in the trial, with 20 patients receiving the ONCOS-102 and SoC combination (8 randomized in first line), and 11 patients in the control group receiving SoC only (6 in first-line). The combination treatment with ONCOS-102 and SoC was well tolerated, with no safety signals beyond what is expected from SoC alone.

At the 18-month follow-up, reported in November 2020, five of the eight patients in the first line ONCOS-102-treated group were still alive, and the mOS was not yet reached. Based on current survival data the mOS will be at least 18.2 months. For the first line SoC-only control group, two of the six patients were alive, and mOS will be 14.2 months or less, which is similar to outcomes from previously reported trials where patients received the same chemotherapy treatment. An analysis of all the first-line patients, including 3 experimental safety lead-in patients, shows results in line with the randomized first-line patients. The next survival analysis is planned in first half of 2021.

In June, it was reported that ONCOS-102 treatment induces broad and powerful immune activation in MPM, far beyond what is achieved with SoC alone. Importantly, this immune activation is associated with better survival outcomes at the 18-month analysis, indicating that the immunological activity of ONCOS-102 drives the observed clinical benefit. The powerful immune activation generated by ONCOS-102 builds a strong rationale for combining ONCOS-102 with a checkpoint inhibitor in MPM. This combination could provide further clinical benefits in this indication.

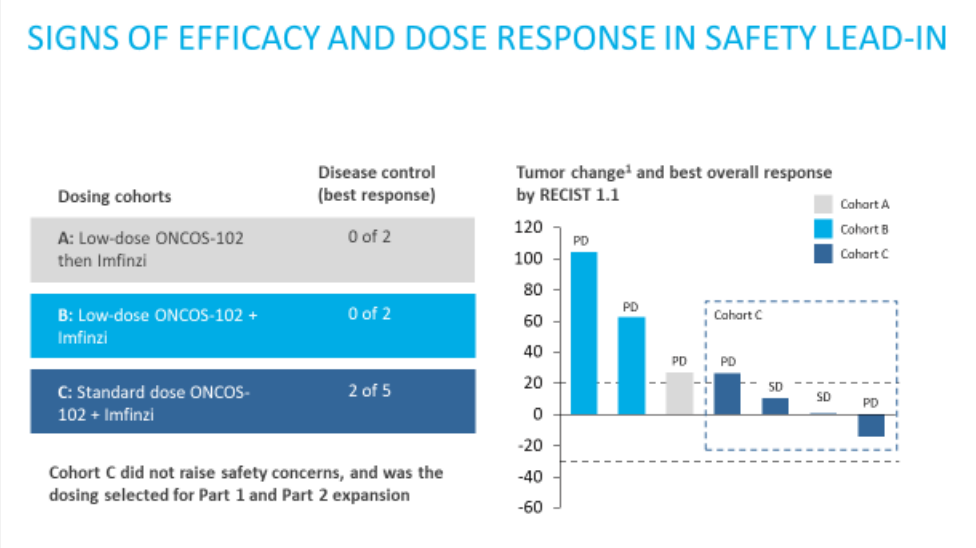


ONCOS-102 in colorectal cancer with metastasis – collaboration trial

The trial is a non-randomized, open-label, multi-center phase I/II trial, where ONCOS-102 is intraperitoneally administered in combination with Imfinzi (durvalumab, anti-PD-L1 antibody), to patients who have metastatic colorectal cancer with peritoneal carcinomatosis and have failed prior standard therapies. 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 trial is conducted at five sites and will recruit up to 32 patients and will assess the safety, biologic and anti-tumor activity of the combination.

In July 2019 all safety reviews during the dose escalation phase had been completed with no Dose Limiting Toxicities and the expansion part started.

In October 2020 the pre-defined disease control efficacy threshold in part 1 was met and the expansion cohort was opened for recruitment of 14 additional patients.



Clinical trials with collaboration partners

Through our collaboration with Cancer Research Institute and Ludwig Cancer Research in colorectal cancer with peritoneal carcinomatosis, Targovax leverages its own clinical development expertise with access to leading external networks. In this collaboration trial, Targovax has retained all commercial rights to its products. ONCOS-102 has also been tested in combination with Sotio's DCVac. The trial was sponsored by Sotio to test whether ONCOS-102 could enhance the effect of DCVac. The trial was concluded prematurely in February 2021 due to limited patient population availability, in combination with additional COVID-19 related challenges.

Next generation ONCOS viruses

From the ONCOS-200-series we have selected ONCOS-211 as the lead candidate for further development. ONCOS-211 carries two transgenic payloads, inducible costimulator-ligand (ICOS-L) and adenosine deaminase (ADA). ICOS-L provides a stimulatory signal to T-cells, whereas ADA removes immune-suppressive adenosine from the tumor micro-environment thus dealing with one of the major defense mechanisms of the tumor. In combination, we believe these transgenes adds targeted firepower to the already strong immune-activating properties of ONCOS, and during 2021 we will execute a set of in vivo experiments to further explore the immunological and anti-cancer properties of ONCOS-211.

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 (eg. 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. 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.

Data from a pre-clinical study with next-generation ONCOS-200 series viruses with novel anti-cancer double-transgenes were presented at the American Association for Cancer Research (AACR) Virtual Annual Meeting in June 2020. The pre-clinical in vitro and in vivo findings demonstrated that both ONCOS-210 & ONCOS-212 have anti-cancer properties and that the double transgenes act synergistically. The encouraging preclinical findings will be further investigated to elucidate transgene functionality and mode of action.

In June 2020, Targovax entered into a collaboration agreement with the Explorations in Global Health (ExGloH) Division of Leidos to evaluate the potential of using ONCOS oncolytic adenoviruses as a vector to encode Microtide™ checkpoint inhibitor peptides as gene sequences. This combination is promising since checkpoint inhibition complements oncolytic virotherapy by blocking the tumor's main defense mechanism against the anti-tumor immune response generated by the oncolytic virus.

ExGloH has developed a unique, proprietary portfolio of microbially-derived peptides, called MicrotideTM, that act as immune checkpoint inhibitors. The simple structure and small size of Microtide™ peptides make them well-suited for delivery by DNA vectors, and the parties will explore whether this capability can be extended to ONCOS viruses. If successful, this could potentially circumvent the need to combine ONCOS with classical systemically delivered checkpoint inhibitors.

Under the agreement, Leidos and Targovax will investigate the technical feasibility, immune modulatory, and anti-cancer properties of encoding Microtide™ checkpoint peptides in the ONCOS adenovirus backbone both in vitro and in vivo. If successful, the combined ONCOS and Microtide™ constructs may serve as a platform where additional functionality can be built in to stimulate multiple complementary anti-tumor mechanisms.

Mutant RAS platform

The mutant RAS program is based on our shared neoantigen vaccine targeting mutant RAS cancers. Oncogenic RAS mutations are the key genetic driver behind many cancers and therefore considered a central target in oncology drug development. A 32-patient phase I/II clinical trial evaluating TG01 in resected pancreatic cancer in combination with standard of care chemotherapy (gemcitabine) reported median overall survival of 33.3 months and 38% three-year survival rate in May 2019. The median overall survival compares favorably to the ESPAC4 historical control trial of gemcitabine monotherapy, which reported median overall survival from surgery of 27.6 months. These data were corroborated by broad and lasting immune responses in vaccinated patients, and some examples of clearance of residual mutant RAS cancer cells after surgery. The Company has attained Orphan Drug Designation for TG01 in pancreatic cancer in both US and Europe.

Targovax is actively working to create shareholder value from the TG technology through collaborations and partnerships. Consistent with this approach, in January 2020, Targovax and IOVaxis Therapeutics entered into an option agreement for an exclusive license to develop and commercialize the TG01 and TG02 vaccines in Greater China and Singapore. The intention is that IOVaxis will exercise the option to license TG upon the first regulatory approval to start a clinical trial in the territory. For this right, IOVaxis has paid Targovax an option fee of USD 250,000, and will pay an additional USD 3 million up-front fee when the option is exercised into an exclusive license. The total development and commercial milestones in the deal are worth up USD 100 million, in addition to tiered royalties on sales up to the mid-teens. Moreover, in 2019, Targovax granted Zelluna Immunotherapy a non-exclusive license to intellectual property relating to mutant RAS T-

cell receptor technology. The potential value of this freedom-to-operate license amounts to NOK 100m (USD 12m) in milestones and annual fees.

In April 2020, Targovax and Valo Therapeutics entered into a research collaboration to evaluate Valo's PeptiCRAd technology as a tool to coat ONCOS oncolytic adenoviruses with Targovax's TG mutant RAS peptides. Valo's PeptiCRAd technology has been developed to coat oncolytic viruses with tumor antigen peptides for enhanced immune activation and local delivery of antigens directly into the tumor site in order to stimulate an enhanced immune response to mutant RAS. With this collaboration, Targovax and Valo will test whether PeptiCRAd coating of ONCOS-102 adenovirus with TG mutant RAS peptides can generate enhanced systemic CD4+ and CD8+ T-cell responses against mutant RAS, and specifically direct these T-cells to the tumor site. If successful, this collaboration has the potential to generate a truly unique, first-in-class, mutant RAS-targeting oncolytic virus concept that could be brought forward into clinical development.

In June 2020, Targovax entered into a collaboration agreement with Oblique Therapeutics to evaluate the potential of using ONCOS oncolytic adenoviruses as a vector to encode and deliver Abiprot antibodies against hard-to-reach intra-cellular targets. Oblique has developed a unique, proprietary methodology to identify epitopes on targets that have previously proven difficult to address with antibodies. This approach can be extended to intra-cellular targets such as mutant RAS, however, delivering antibodies into cells remains a major obstacle. Targovax and Oblique anticipate that expression of Abiprot antibodies against such targets using ONCOS as a vector can overcome this challenge and boost the specificity and power of the anti-tumor response. Under the agreement the parties will jointly explore the technical feasibility and in vitro and in vivo functionality and anti-cancer activity of the ONCOS-Abiprot combination, initially focusing on mutant RAS as the target. If successful, this would provide a first-in-class oncolytic virus candidate directly targeting RAS and demonstrate proof-of-concept for ONCOS-Abiprot as a new technology platform.

Preclinical development of ONCOS-102

Targovax has conducted several *in vivo* studies of ONCOS-102 in mesothelioma and melanoma mouse models to investigate the mode of action and assess the efficacy for the clinical combination strategies in these indications. Data have been published at scientific conferences and in leading, peer reviewed journals.

In a mesothelioma mouse model, it has been demonstrated that ONCOS-102 acts synergistically with chemotherapy to reduce tumor volume and drive tumor specific immune responses (Kuryk et al, 2018, JMV):

- Chemotherapy alone did not reduce tumor volume in the selected mouse model
- ONCOS-102 alone reduced tumor volume by 56%
- ONCOS-102 + chemotherapy reduced tumor volume by 75% relative to chemotherapy alone and by 33% relative to ONCOS-102 alone
- ONCOS-102 induced a mesothelin specific anti-tumor CD8+ T-cell response

Similarly, it has been shown that ONCOS-102 and PD-1 checkpoint inhibition (Keytruda) act synergistically in a humanized melanoma mouse model, driving both tumor volume reduction and anti-tumor T-cell immunity (Kuryk et al. Oncoimmunology 2018):

- Keytruda alone did not reduce tumor volume in the selected mouse model
- ONCOS-102 reduced tumor volume by 51%
- ONCOS-102 + Keytruda reduced tumor volume by up to 69%
- ONCOS-102+ Keytruda induced an abscopal effect, validating the proposed mode of action that ONCOS-102 can generate systemic anti-tumor immune responses (Kuryk et al. JMV 2019)

Important events in 2020

- In January and June, announced encouraging clinical and immune data in mesothelioma combining ONCOS-102 and chemotherapy demonstrating that ONCOS-102 activates the patients' immune system far more extensively than chemotherapy
- In January, entered into an option agreement with IOVaxis Therapeutics for a TG mutant RAS vaccine license agreement in Greater China and Singapore
- In March, completed enrollment in the melanoma trial
- In March, completed a private placement, raising NOK 101 million (USD 11.2 million)
- In April, announced election of Damian Marron as Chairman of the Board
- In April, appointed Dr Victor Levitsky, MD, PhD as CSO
- In April, entered into a collaboration to develop mutant RAS neoantigen coating of ONCOS viruses using Valo Therapeutic's PeptiCRAd technology
- In June, presented interim data from safety lead-in cohort in the ovarian and colorectal trial at ASCO
- In June, entered into a collaboration with Oblique Therapeutics to target mutant RAS cancers by combining both companies' technology platforms
- In June, entered into a collaboration with Merck to test ONCOS-102 in combination with Keytruda and chemotherapy in mesothelioma
- In June, entered into a collaboration with Leidos to equip ONCOS viruses with genetic elements encoding for small peptides with checkpoint inhibitor functionality
- In June, presented pre-clinical data from Next Generation ONCOS at AACR
- In October, announced grant of European Patent no 3293201 by the European Patent Office, covering the use of ONCOS-102 in combination with CPIs until 2036
- In October, announced that the ONCOS-102 and Imfinzi (durvalumab) trial successfully completed part 1 in colorectal cancer
- In October, completed a private placement, raising gross proceeds of approximately NOK 75 million (USD 8 million)
- In October, formed a new Scientific Advisory Board (SAB), consisting of a group of world-renowned experts in immuno-oncology research and drug development
- In November, presented the 12-month analysis of biomarkers and clinical outcome from the mesothelioma trial at the Society for Immunotherapy of Cancer (SITC)
- In November, announced encouraging survival data for ONCOS-102 in mesothelioma
- In December, announced impressive objective responses as well as effects on non-injected lesions in ONCOS-102 trial in anti-PD1 refractory melanoma patients

Important events after balance sheet date

- In January 2021, granted IOVaxis 3 months extension to the exclusive license option for TG mutant RAS vaccines in Greater China and Singapore
- In February 2021, collaboration partner SOTIO stopped the combination trial assessing the combination of ONCOS-102 and DCVAC/PCa in prostate cancer due to slow patient recruitment. Only a very limited patient population fulfilled the strict inclusion criteria. Therefore, the recruitment could not meet originally planned numbers
- In February 2021, entered into a enter research collaboration with Papyrus Therapeutics to develop novel ONCOS viruses with receptor tyrosine kinase (RTK) inhibitor functionality
- In February, the US FDA granted ONCOS-102 Fast-Track designation for malignant pleural mesothelioma.

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Key figures in the consolidated accounts

Income statement (2019 figures in brackets)
In 2020 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 2020 amounted to NOK 105 million (NOK 153 million), of which payroll and related expenses amounts to NOK 43 million (NOK 50 million). The operating expenses are reported net of governmental grants, which amounted to NOK 2 million in the period (NOK 4 million).

Operating loss amounted to NOK 104 million in 2020 (NOK 150 million). Financial income amounted to NOK 1 million for the year (NOK 4 million). The group had financial expenses of NOK 5 million (NOK 1 million). The net loss for the period amounted to NOK 108 million (NOK 148 million).

Cash flow
Net cash amounted to NOK 122 million at the end of the year, compared to NOK 70 million at the end of 2019.

Net cash outflow from operating activities for the year 2020 was NOK 111 million (NOK 143 million).

Financial position
As at 31 December 2020, Targovax had total assets of NOK 521 million, compared to NOK 457 million by the end of 2019.

Total current assets amounted to NOK 127 million (NOK 86 million), of which cash and cash equivalents amounted to NOK 122 million (NOK 70 million).

Total non-current assets were NOK 394 million (NOK 371 million), of which intangible assets amounted to NOK 390 million (NOK 367 million).

Shareholders' equity amounted to NOK 373 million, decreased from NOK 297 million in 2019. The equity ratio amounted to 71.55 percent compared to 64.99 percent in 2019.

Going concern

The financial statements for 2020 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 fourth 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 31 December 2021. 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 in clinical development. Although the end-results from two of the trials are positive, the clinical data are limited, and the results of preclinical studies and early clinical trials of the Group's product candidates may not be predictive of the results of later-stage clinical trials. Changes in the standard of care from initiation to completion of a clinical trial is also a risk factor.

Further, 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 lease liabilities and 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.

The Covid-19 pandemic

Following the outbreak of COVID-19, authorities on both sides of the Atlantic have taken strong measures to reduce the spread of the virus. These measures, in combination with uncertainty and hospitals potentially prioritizing acute patients, have increased the risk of clinical trials being delayed, but it is the opinion of the Board of Directors that the Group has been somewhat spared from major impacts of the pandemic. Its development processes have all continued according to schedule. The company will update the market if there are relevant changes to operations.

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 ca. USD 500 billion in 2019 to USD 625-700 billion in 2023, while the European share of spending will grow from ca. USD 160 billion to USD 175-225 billion. Double-digit annual growth brought the China pharmaceutical market to ca. USD 150 billion in 2019, but this growth is expected to decrease and stabilize between 3-6% CAGR% and reach ca. USD 170 billion in 2023.

The cancer market

General

The 2019 worldwide spending on cancer drugs was ca. USD 100 billion and expected to grow to USD 175 billion by 2025 according to a 2019 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 close to USD 60 billion in 2019 and expected to grow at a CAGR % of 10-15% to reach a total value of USD 100-130 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

Cancer Research UK estimates that cancer accounted for close to 10 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 62% from 2018 and is expected to be higher in males (68% increase) than in females (55% 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.

Organization

The Group's management team at year-end consisted of Øystein Soug, CEO, Torbjørn Furuseth, Chief Financial Officer, Magnus Jäderberg, Chief Medical Officer, Erik Digman Wiklund, Chief Business Officer, Victor Levitsky, Chief Scientific Officer, Ingunn Munch Lindvig, VP Regulatory and Kirsi Hellström, Interim Head of CMC.

The Board of Directors held 16 meetings in 2020. All members of the Board of Directors are shareholder-elected. The members of the Board of Directors were at the end of 2020 Damian Marron (Chairperson), Catherine Wheeler, Robert Burns, Per Samuelsson, Johan Christenson, Eva-Lotta Allan, Diane Mellett and Bente-Lill B. Romøren.

Targovax has offices in Oslo, Norway, and in Espoo, Finland.

Corporate social responsibility

Targovax is a clinical stage biotechnology company developing immune activators to target hard-to-treat solid tumors in cancer patients. Targovax's focus is to "activate the patient's immune system to fight cancer", thus extending and transforming the lives of cancer patients with targeted therapeutic cancer immunotherapies. The Group's pipeline aims at different cancer indications, including melanoma, mesothelioma and colorectal cancer. The products are designed to harness the patient's own immune system to fight the cancer, whilst also delivering a favorable safety and tolerability profile. Further, the products are well positioned for combinations with other treatment approaches, including other immunotherapies, surgery, radiation and chemotherapy.

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 22 December 2020. They consist of principles related to: social commitment, business conduct, anti-corruption, human rights, employment without discrimination, labor rights and work conditions, whistleblowing and 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.

Working environment

workplace with equal opportunities in all areas. 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.

As at 31 December 2020, Targovax had a total of 21 employees, of which 20 where full-time employees. The group has a policy to outsource non-core operations and highly specialized services. 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 29 percent of the senior management team. Totally, Targovax employs 62 percent women and 38 percent men. Working time arrangements at the group are independent of gender. Targovax provides paid parental leave for both gender and in 2020 8 percent of Targovax's female and 13 percent of male employees took parental leave.

Targovax's workforce 31.12.20	*Women*	*Men*	*Total*
Total workforce (part-time and full-time employees)	13	8	21
Total workforce full-time employees	12	8	20
Total workforce part-time employees	1	0	1
Number of non-permanent employees	2	0	2

The working environment are measured at least once a year through employee surveys. The Board considers the work environment within the group to be good. No accidents or injuries resulting in absence were registered in 2020. Absence due to illness in the group was 0.31 percent in 2020, considerably lower than the industry standard.

External environment

Targovax strives to minimize its impact on the environment, and its activities are subject to strict requirements in terms of quality, safety and impacts on personal health and the 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, and when selecting suppliers, Targovax evaluate each candidate's ethical and responsible business conduct including environment, health and safety policy.

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 2020 the Targovax share was traded in the NOK 3.70 – 10.90 range. During 2020 some 163 million shares were traded, with a total value of NOK 1 billion. Closing price on 31 December 2020 was NOK 9.68 per share, corresponding to a market-value of NOK 838 million.

As of 4 February 2021, there were 86, 531,318 shares outstanding in Targovax, distributed amongst 5,535 shareholders. HealthCap is the largest shareholder, holding about 14.3 percent of total shares outstanding. The 20 largest shareholders control 46 percent of total shares outstanding.

The estimated share ownership situation on 4 February 2021:

	Estimated	
Shareholder	Shares mill	Ownership
HealthCap	12.4	14.3 %
Nordea	4.5	5.2 %
Radforsk	4.4	5.1 %
AP4	4.0	4.6 %
Thorendahl Invest	1.8	2.0 %
Bækkelaget Holding	1.6	1.9 %
Danske Bank (nom.)	1.5	1.7 %
Morgan Stanley & Co. Int	1.4	1.6 %
The Bank of New York Mellon (nom.)	1.3	1.5 %
Goldman Sachs & Co (nom.)	1.1	1.3 %
MP Pensjon	1.1	1.2 %
Pettersen	1.1	1.2 %
Barclay's Capital SEC	0.9	1.1 %
State Street Bank and Trust Comp (nom.)	0.9	1.0 %
J.P. Morgan Bank Luxembourg S.A. (nom.)	0.8	0.9 %
Prieta	0.7	0.8 %
Saxo Bank AS (nom.)	0.5	0.6 %
Myrild AS	0.5	0.6 %
Forte Trønder	0.5	0.6 %
Selsbak	0.5	0.5 %
20 largest shareholders	**41.4**	**47.8 %**
Other shareholders (5 515)	45.1	52.2 %
Total shareholders	**86.5**	**100.0 %**

As per 31 December 2020, key management and members of the Board holds a total of 456,864 shares in Targovax ASA, representing some 0.5 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 2020 and 2021 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 40 million (NOK 62 million). Total cash amounted to NOK 106 million at the end of 2020 compared to NOK 54 million at the end of 2019. Equity at the end of 2020 amounted to NOK 687 million compared to NOK 560 million at the end of 2019.

Targovax ASA´s annual result amounted to a loss of NOK 40 million. The Board of Directors proposed that the loss is transferred to accumulated loss.

Outlook

The recent developments in cancer immunotherapy uphold the large potential of immunotherapy. The main challenge is to ensure that more cancer patients can benefit from immunotherapy, and as such a growing medical need to develop new drugs that can activate the patient's immune system. On the basis of the strong clinical data that are now generated on ONCOS-102, Targovax has a solid fundament to move the development forward towards registration-directed trials. There is a continued excitement in the industry regarding the potential of oncolytic viruses as immune activators to complement other immunotherapies, such as CPIs.

2020 was a unique year due to the COVID-19 pandemic, and several industries are struggling. Life sciences and biotechnology have on the contrary experienced an increased enthusiasm, and the capital markets have been healthy. Hopefully this will continue in 2021 to support the further development of our drug candidates.

We are also entering 2021 with a broader pipeline of preclinical assets that could create a broader set of opportunities in the future. 2021 could also mark the revival of the mutant RAS platform with IOVaxis potentially exercises the license option.
We enter 2021 with optimism and look forward to providing further updates on our clinical progress.

Oslo, 17 February 2021
The Board of Directors of Targovax ASA

Damian Marron 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 2020 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, 17 February 2021
The Board of Directors of Targovax ASA

Damian Marron 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 17 February 2021 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, licensed its lead drug Xofigo with Bayer, built a U.S. sales organization, launched Xofigo in the U.S., 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: 267 000

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: 1 080 000

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 immuno-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.

Kirsi Hellström
Interim Head of CMC

Shares: 0
Share options: 221 000

Kirsi Hellström has 20 years of experience in virology and cell & molecular biology. Before joining Targovax in 2017, she worked as a research scientist at the University of Helsinki studying virus replication and at the VTT Technical Research Centre of Finland in Turku in the field of cancer research. Dr Hellström holds a PhD in biotechnology from University of Jyväskylä, Finland and has been awarded the title of docent in cell and molecular biology at the University of Helsinki. Dr. Hellström is a Finnish citizen and resides in Finland

Torbjørn Furuseth
Chief Financial Officer

Shares: 15 000
Share options: 620 000

Torbjørn Furuseth joined Targovax in September 2018, coming from the role as CFO in Lytix Biopharma AS. 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 worked at biotech 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 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: 750 000

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.

Victor Levitsky
Chief Scientific Officer

Shares: 10 000
Share options: 500 000

Dr. Victor Levitsky is a seasoned internationally recognized expert in immunology, oncology, T-cell immunotherapy and immuno-oncology with in-depth knowledge of preclinical, translational and early stage clinical drug development. He brings extensive experience in pre-clinical drug development of protein-based biologics and small molecules. Dr. Levitsky is a medical doctor with a PhD in Virology and post-doctoral training in tumor biology at Karolinska Institute, Sweden. He spent the first 20 years of his career as an academic research scientist, including Associate Professor positions at the Karolinska Institute in Sweden and the Johns Hopkins University School of Medicine in the USA. Before joining Targovax Dr. Levitsky served as Tumor Immunology Leader and Senior Principal Scientist with Roche in Zurich, and his most recent position has been VP, Head of Oncology Research at Molecular Partners, Zurich, Switzerland. Dr. Levitsky is a Swedish and Russian citizen and resides in Switzerland.

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 17 February 2021 and includes close associates

Damian Marron
Chairperson (b. 1963)

Shares: 0
Share options: 0
RSU: 24 485

Damian Marron is an experienced non-executive director, corporate advisor and life science executive with a successful track record of value creation through public and venture capital financing, portfolio planning, M&A, licensing agreements as well as R&D collaborations, both as an executive and in advisory roles. He has notably specialized in immuno-oncology, cell therapy and orphan diseases. Mr. Marron is currently Non-Executive Director at Bone Therapeutics a clinical stage, regenerative medicine company listed on Euronext and Resolys Bio, a private, late pre-clinical U.S. startup. He is also Head of Biopharma with Treehill Partners, a global pure-play healthcare advisory firm. Mr. Marron has formerly been chair of the board of directors of PepGen Ltd and the CEO at Agalimmune Ltd, TxCell SA, Cytheris SA, and Trophos SA.

Eva-Lotta Allan
Board Member (b. 1959)

Shares: 51 368
Share options: 0
RSU: 29 450

Eva-Lotta. 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 Almirall, Crescendo Biologics and Aleta Biotherapeutics. 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.

Per Samuelsson
Board Member (b. 1961)

Shares: 0
Share options: 0
RSU: 0

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.

Diane Mellett
Board Member (b. 1960)

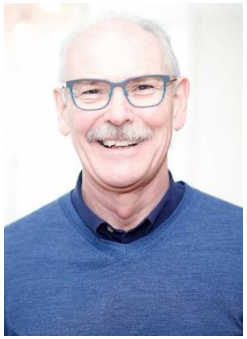
Shares: 44 149
Share options: 0
RSU: 35 499

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 and Irish citizen and resides in France.

Catherine Wheeler
Board Member (b. 1953)

Shares: 0
Share options: 0
RSU: 6 049

Dr. Catherine 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 she 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). Before Roche, 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: 88 351

Dr. 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. He was a member of the board of directors of Oncos Therapeutics OY prior to the Company's acquisition of Targovax Oy. Dr. Burns 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 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 Inc., Fusion Pharmaceuticals Inc. and InCarda Inc. Dr. Christenson is a Swedish citizen and resides in Sweden.

Bente-Lill Romøren
Board Member (b. 1949)

Shares: 20 327
Share options: 0
RSU: 15 250

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) and is currently Non-Executive Director at Radforsk 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 22 December 2020 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 2020.

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 2020 was NOK 373 million, which corresponds to an equity ratio of 71.6 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 1 250 000 and (b) 10 percent of the share capital of the Company. This applies until the Annual General Meeting in 2021.

For the period between the Annual General Meetings in 2021 and 2022, the Board of Directors proposes an authorization to increase the Company's share capital by up to 40 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 given normal circumstances. 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 29 April 2020. 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 2020.*

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: Damian Marron (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 29 April 2020.

Participation on Board of Directors meetings and Board committee meetings during 2020:

Participation in meetings	Board Meetings	Audit Committee	Compensation committee	Governance Committee
Damian Marron	12	3	3	
Catherine Wheeler	13			
Bente-Lill Romøren	13			2
Johan Christenson	16			2
Robert Burns	14		3	
Eva-Lotta Allan	16			2
Diane Mellett	15	5		2
Per Samuelsson	15	5	3	

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

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

The Board of Directors does not include executive management. The Chairperson of the Board of Directors is elected by the General Meeting.

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

For further information about the members of the Board of Directors, including number of shares and who are considered independent, see Note 10 Related parties and Management in the Company's Annual Report, and the section "Board of Directors" in the Annual Report.

Deviations from the recommendation: None

9. The work of the Board

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

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

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

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

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

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

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

General

The Board of Directors Handbook adopted by the Board of Directors on the 22 December 2020 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 14 May 2020. 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 Damian Marron, 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 2020.

Compensation committee

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

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

Three meetings were held in 2020.

Corporate Governance Committee

The members of the Corporate Governance Committee are Bente-Lill Romøren, Johan Christenson, Diane Mellett and Eva-Lotta Allan. 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 2020.

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 29 April 2020 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 2019-2020 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 marketplace 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 2020

Accounts and notes

Contents

Consolidated statement of profit or loss

Amounts in NOK thousands except per share data	*Note*	2020	2019
Other revenues	6	624	2 251
Total revenue		**624**	**2 251**
External R&D expenses	7,8	-45 040	-80 286
Payroll and related expenses	7,8,9,10,11	-43 090	-50 103
Other operating expenses	7,8,12	-12 658	-18 109
Depreciation, amortizations and write downs	15,16,17	-3 735	-4 026
Total operating expenses		**-104 524**	**-152 524**
Operating profit/loss (-)		**-103 901**	**-150 273**
Finance income	13	596	3 698
Finance expense	13,21	-5 099	- 1 275
Net finance income (expense)		**-4 503**	**2 422**
Loss before income tax		**-108 403**	**-147 850**
Income tax income/(expense)	14	277	321
Loss for the period		**-108 126**	**-147 529**
Earnings/loss (-) per share			
Basic and dilutive earnings/loss (-) per share	**20**	**-1.40**	**-2.43**

Consolidated Statement of comprehensive income

Amounts in NOK thousands except per share data	*Note*	2020	2019
Income/loss (-) for the period		-108 126	-147 529
Items that may be reclassified to profit or loss:			
Exchange differences arising from the translation of foreign operations		16 069	-2 703
Total comprehensive income/loss (-) for the period		**-92 057**	**-150 232**

Consolidated statement of financial position

Amounts in NOK thousands	*Note*	31.12.2020	31.12.2019
ASSETS			
Intangible assets	15	389 646	367 083
Property, plant, and equipment	16	179	726
Right-of-use assets	17	3 734	3 241
Total non-current assets		**393 559**	**371 050**
Receivables	13,18	4 859	15 429
Cash and cash equivalents	19	122 321	70 429
Total current assets		**127 180**	**85 857**
TOTAL ASSETS		**520 740**	**456 907**
EQUITY AND LIABILITIES			
Shareholders equity			
Share capital	20	8 653	6 338
Share premium reserve		1 046 476	886 899
Other reserves		52 684	46 885
Retained earnings		-778 136	-670 010
Translation differences		42 912	26 843
Total equity		**372 588**	**296 955**
Non-current liabilities			
Interest-bearing liabilities	21	57 881	50 441
Deferred tax	14	62 047	58 822
Lease liabilities	17	2 568	-
Total non-current liabilities		**122 495**	**109 263**

Amounts in NOK thousands	*Note*	31.12.2020	31.12.2019
Current liabilities			
Interest-bearing liabilities	21,22	3 185	-
Short-term lease liabilities	17	1 258	3 241
Accounts payable and other current liabilities	22	5 196	11 136
Accrued public charges	22	3 428	3 911
Other short-term liabilities	22	12 589	32 402
Total current liabilities		**25 656**	**50 690**
TOTAL EQUITY AND LIABILITIES		**520 740**	**456 907**

Oslo, 17 February, 2021

The Board of Directors of Targovax ASA

Damian Marron 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 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	-	-	-	-	10
Transaction costs – Share based payments			-28				-28
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**
Loss for the period						-108 126	-108 126
Exchange differences arising from the translation of foreign operations					16 069		16 069
Other comprehensive income/loss, net of tax							
Total comprehensive income for the period					**16 069**	**-108 126**	**-92 057**
Issue of ordinary shares - Capital increase - Private Placement and repair offering	20	2 297	173 724				176 021
Transaction costs - Private Placement			-14 164				-14 164
Share issuance, employee share options & RSU's	20	18	82	-			99
Transaction costs – Share based payments			-65				-65
Recognition of share-based payments & RSU's	11			5 799			5 799
Balance at 31 December 2020		**8 653**	**1 046 476**	**52 684**	**42 912**	**-778 136**	**372 588**

Consolidated statement of cash flow

Amounts in NOK thousands	*Note*	2020	2019
Cash flow from operating activities			
Loss before income tax		-108 403	-147 850
Adjustments for:			
Finance income	13	-596	-3 698
Finance expense	13	5 099	1 275
Interest received	13	596	1 524
Other finance expense	13	-364	-25
Share option and RSU expense	11	5 799	5 646
Depreciation, amortizations and write downs	16,17	3 735	4 026
Change in receivables	18	10 569	-108
Change in other current liabilities	22	-27 229	-3 307
Net cash flow from /(used in) operating activities		**-110 793**	**-142 517**
Cash flow from investing activities			
Purchases of property, plant, and equipment (PPE)	16	-70	-134
Net cash received from/(paid in) investing activities		**-70**	**-134**
Cash flow from financing activities			
Loan from Business Finland	21	5 555	-
Repayment of lease liabilities	17	-3 209	-4 061
Interest paid	13	-704	-627
Proceeds from issuance of shares -Private Placement and repair offering	20	176 021	74 651
Share issue expense - Private Placement and repair offering		-14 164	-7 788
Proceeds from exercise of options	20	99	10
Share issue expense – share options & RSUs		-65	-28
Net cash generated from financing activities		**163 534**	**62 156**
Net increase/(decrease) in cash and cash equivalents		**52 671**	**-80 495**
Net exchange gain/loss on cash and cash equivalents		-778	-265
Cash and cash equivalents at beginning of period		**70 429**	**151 189**
Cash and cash equivalents at end of period	**19**	**122 321**	**70 429**

1. General information

Targovax ASA ("the Company") and its subsidiaries (together the Group) is a clinical stage immuno-oncology company developing immune activators to target hard-to-treat solid tumors.

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 adenovirus, together with the released GM-CSF as well as the lysis of the tumor attracts antigen presenting cells (APCs) of which the most important are dendritic cells (DCs). These APCs take up the tumor fragments and 'display' these fragments to other immune cells such as T-cells which are then activated to target and kill cancers cells bearing the same fragments.

The Group has also developed a mutant RAS peptide vaccine platform, with the two products TG01 and TG02. The Group is actively targeting partnering or licensing opportunities for these products. In addition, the Group has started exploring new mutant RAS concepts in discovery phase.

The Company is a Norwegian public limited liability company listed on the Oslo Stock Exchange in Norway. The address of the registered office is Vollsveien 19, 1366 Lysaker, Norway.

These financial statements have been approved for issue by the Board of Directors on 17 February 2021 and are subject to approval by the Annual General Meeting in March 2021.

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 2020 and earlier have been adopted for all periods presented in these financial statements.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

• Definition of Material – amendments to IAS 1 and IAS 8

• Definition of a Business – amendments to IFRS 3

• Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

• Revised Conceptual Framework for Financial Reporting

The group also elected to adopt the following amendments early:

• Annual Improvements to IFRS Standards 2018-2020 Cycle.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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 2020 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 2020 comprise the financial statements of the Company and its 100% owned and controlled subsidiary Targovax OY, located at Espoo, Finland. Targovax Solutions LLC, located at Massachusetts, USA, was liquidated during 2020.

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 and fourth 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 31 December 2021. 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 390 MNOK. The value is tested for impairment 31 December 2020. 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 2020 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 long-term lesing liabilities and 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 leasing liabilities and 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 2020 and 2019:

	2020		2019	
Amounts in NOK thousands	1% point increase	1% point decrease	1% point increase	1% point decrease
Loss before income tax effect	1 223	-1 223	704	-704

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 2020 and 2019.

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

	2020		2019	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	1 996	-1 996	684	-684
Other comprehensive income	-5 214	5 214	-3 356	3 356

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

	2020		2019	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	273	-273	1 145	-1 145
Other comprehensive income	-	-	12	-12

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

	2020		2019	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	377	-377	207	-207
Other comprehensive income	-	-	-	-

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

	2020		2019	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	405	-405	-14	14
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:

	2020		2019		Rating
Amounts in NOK	Amount	In %	Amount	In %	S&P
Cash at bank:	**73 275**	**60%**	**44 354**	**63%**	
Nordea Bank AB	56 693	46%	27 902	40%	**AA-**
Danske Bank A/S	15	0%	7	0%	**A**
DNB Bank ASA	16 567	14%	16 445	23%	**AA-**
Money market funds:	**49 046**	**40%**	**26 075**	**37%**	
Nordea Likviditet III	49 046	40%	26 075	37%	
Total	**122 321**	**100%**	**70 429**	**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.

	2020		2019	
Amounts in NOK thousands	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	4 859	4 859	15 429	15 429
Cash and cash equivalents	122 321	122 321	70 429	70 429
Total financial assets	**127 180**	**127 180**	**85 857**	**85 857**
Interest-bearing borrowings	61 066	61 066	50 441	50 441
Lease liabilities	3 826	3 826	3 241	3 241
Accounts payable and other current liabilities	5 196	5 196	11 136	11 136
Total financial liabilities	**70 087**	**70 087**	**64 818**	**64 818**

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 2020:

Amounts in NOK thousands	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	61 066	61 066
Total financial instruments at fair value	**-**	**-**	**61 066**	**61 066**

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**

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 and fourth quarter 2020, sufficient cash available to meet its obligations as at 31 December 2020 and related to planned activities in the next 12 months. Hence, the Group is funded into 2022, 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 and long-term lease liabilities, 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 2020 and 2019 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 2020

(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]	-	239	3 665	49 873	17 222	**70 988**
Lease liabilities	-	364	1 093	2 827	-	**4 284**
Accounts payable and other current liabilities	-	5 196	-	-	-	**5 196**
Accrued public charges	-	3 428	-	-	-	**3 428**
Other short-term liabilities	-	12 589	-	-	-	**12 589**
Total	**-**	**21 816**	**4 758**	**52 700**	**17 222**	**96 496**

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

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
		225	398	48 233	16 141	**64 997**
Interest-bearing borrowings[1]	-	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. 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	2020	2019
Other revenue	624	2 251
Total operating revenue	**624**	**2 251**

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. An IND application to initiate clinical development of TG01 has been submitted to the Chinese National Medical Products Administration (NMPA), but the application preparation and regulatory review process has been delayed due to COVID-19 related issues. To accommodate the delay caused by these unforeseen circumstances, The Group extended in January 2021 the license option period by 3 months. IOVaxis paid the Group USD 250.000 for this exclusive option in first quarter 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:

	2020		**2019**	
Amounts in NOK thousands	Total	Of which R&D	Total	Of which R&D
External R&D expenses	45 040	45 040	80 286	80 286
Payroll and related expenses	43 090	22 101	50 103	25 951
Other operating expenses	12 658	26	18 109	442
Depreciation, amortizations and write downs	3 735	-	4 026	-
Total	**104 524**	**67 168**	**152 524**	**106 679**

The following external research and development expenditures have been expensed:

Amounts in NOK thousands	**2020**	**2019**
R&D related consultancy and other expenses	26 698	54 573
Cost of manufacturing for R&D	17 305	25 745
Patent expenses	2 980	3 302
Government grants	-1 943	-3 334
Total external research and development expenses	**45 040**	**80 286**

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	**2020**	**2019**
External R&D expenses	1 943	3 334
Payroll and related expenses	292	592
Other operating expenses	1	38
Total grants	**2 236**	**3 964**

For the full year 2020 the Group has, for SkatteFUNN projects, recognized NOK 0.9 million (NOK 4.0 million 2019) as cost reduction in External R&D expenses, Payroll and related expenses and Other operating expenses.

The Group received an additional NOK 5 555 100 (EUR 552 400) to one of the existing loans from Business Finland during the first quarter of 2020. The loan's interest rate is assessed to be 7% lower than comparable market rates, hence NOK 1.4m was recognized as a government grant recorded as a reduction to External R&D expenses in first quarter 2020

See note 21 Interest-bearing debt for information about Business Finland loans.

Specification of grants receivables:

Amounts in NOK thousands	**2020**	**2019**
Grants from SkatteFUNN	866	3 964
Total grants receivable	**866**	**3 964**

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	2020	2019
Salaries and bonus	31 123	31 628
Employer's national insurance contributions	4 273	4 910
Share-based compensation [1)]	5 799	5 646
Pension expenses – defined contribution plan	1 613	1 915
Restructuring costs [2)]	-150	5 448
Other	724	1 147
Governmental grants	-292	-592
Total payroll and related expenses	**43 090**	**50 103**

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., The total provision for restructuring costs of NOK 5.4 million per 31 December 2019 was reduced by NOK 0,15 million as per 30 September 2020. NOK 4,7 million was paid in 2019 and NOK 0,6 million was paid in 2020.

Number of employees calculated on a full-time basis as at end of period	19,6	20,0
Number of employees as at end of period	20	20

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 2020 and will be in 2021. 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 2020. We encourage our shareholders to read the entire Compensation Report before attending the Annual General meeting in March 2021.

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. At the end of 2020, the company reported class-leading data in the trial with checkpoint inhibitor refractory melanoma patients, with best objective response rate (ORR) of 35%, and systemic effects observed in multiple patients, including two examples where a non-injected lesion completely disappeared. We also reported encouraging survival data at the 18-month analysis in the mesothelioma trial, and at the time of reporting (November 2020), the median overall survival was not yet reached.

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 Damian Marron
Targovax Compensation Committee, 17 February 2021

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 organization
- Assessment of fulfilment of objectives for 2020 and on resulting cash bonuses
- Recommendation on the grant of employee share options
- Recommendation on corporate objectives for 2021

The compensation policy

The compensation policy applied in 2020 and 2021 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 2020	Proposed for 2021
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 2019 and 2020.

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 2020 and 2021 focus on short term execution of clinical plans and longer-term business development.

Target bonus percentages	2020 (% of base salary)	2021 (% 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%
Victor Levitsky (Chief Scientific Officer)	20%[1]	20%
Ingunn Munch Lindvig (VP Regulatory Affairs)	20%	20%
Kirsi Hellström (Interim Head of CMC)	20%[2]	20%

[1] As per 1 April 2020

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 2021 long-term incentives and the policy applied in 2020 are described below.

Long term incentives proposal for 2021

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.

[2] As per 1 July 2020

Long-term incentives in 2020

In 2020, 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 2020, 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 1 000 000 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 2020, 7 310 067 share options were outstanding, of which 3 357 835 were vested and exercisable at year-end 2020. Current Management Team members held 4 748 000 share options, 1 989 500 options were held by other employees and the remaining 572 567 by board members, previous employees, previous Oncos board members, consultants, and inventors.

At end of 2020, 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 2020

The Board of Directors complies with the decision made at Targovax ASA's Ordinary General Meeting on 29 April 2020 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 2020 were identical to the principles listed above.

Section 5 – Compensation tables for 2020 and 2019

Remunerations and other benefits in 2020:

Amounts in NOK thousands	Fixed annual salary as at 31 Dec 2020	Earned salaries in 2020	Bonus earned in 2019, paid in 2020	Pension expenses in 2020	Benefits in kind in 2020	Exercise of share options/RSUs	Total remuneration in 2020
Board of Directors of Targovax ASA:							
Patrick Vink, former Chairperson of the Board[1]		48				714	762
Bente-Lill Bjerkelund Romøren, Board member		213				86	299
Johan Christenson, Board member		335					335
Catherine Wheeler, Board member		290					290
Per Samuelsson, Board member		330					330
Robert Burns, Board member		20					20
Eva-Lotta Coulter, Board member		213					213
Diane Mellett, Board member		217				111	328
Total Board of Directors [2]		1 667	-	-	-	911	**2 578**
Management team:							
Magnus Jäderberg, Chief Medical Officer[3]	2 900	2 885	654	-	694	-	4 233
Øystein Soug, Chief Executive Officer	2 734	2 840	724	76	8	-	3 648
Victor Levitski, Chief Scientific Officer	2 504	1 419			397	-	1 816
Ingunn Munch Lindvig, VP Regulatory Affairs	1 428	1 365	95	75	8	-	1 543
Anne-Sophie Møller, Head of Clinical Science	1 149	1 169	119	71	8	-	1 367
Kristiina Hyvärinen, Director CMC[4]	799	683	92	143	2	10	929
Kirsi Hellström, Head of CMC	772	767	41	147	3	-	957
Torbjørn Furuseth, Chief Financial Officer	1 965	1 997	503	75	9	-	2 585
Erik Digman Wiklund, Chief Business Officer	1 900	1 953	468	76	9	-	2 505
Total Management Team	**16 151**	**15 078**	**2 692**	**663**	**1 138**	**10**	**19 584**
Total	**16 151**	**16 745**	**2 692**	**663**	**1 138**	**921**	**22 162**

1) Patrick Vink,the former Chairperson of the Board, was replaced by Damian Marron as of 29.04.2020. Damian Marron has not yet received any remuneration or other benefits as of 31.12.2020.
2) The Board members may choose to receive their Board fee either in RSUs or in cash. Please see the table for holding of RSUs for further details on the Board related remuneration.
3) Fixed annual salary is the annual salary in GBP multiplied by the average exchange rate throughout the year.
4) Kristiina Hyvarinen resigned from her position as Head of CMC on 31 August 2020. During 2020 her remuneration consists of TNOK 683 in salary, TNOK 92 in bonus, TNOK 143 in pension and TNOK 2 in benefits in kind.

All amounts in the tables exclude National Insurance Contribution.
In 2020, 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 2020 and until the annual general meeting in 2021. If the current board members have served for a shorter period than since the annual general meeting in 2020, 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 2021. 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 2020 NOK 2.2 million, excluding National Insurance Contribution, was recognized as expense in provision for Board remunerations to be paid in cash. NOK 1.6 million for the period May 2020 to December 2020 and NOK 0.6 million was recognized as expense for Board remuneration for the period between AGM 2019 to AGM 2020 and paid in second quarter 2020. In 2020 NOK 0.3 million was recognized as expense for Board remunerations in RSUs for the period May 2019-April 2020 and NOK 0.5 million for the period May 2020 to December 2020.

The Group has recognized as expense NOK 3.9 million, excluding National Insurance Contribution, in provision for bonuses to Management Team for 2020.

The Group has recognized as expense NOK 3.6 million in share-based compensation to the Management Team at 31 December 2020. There are no outstanding loans or guarantees made to the Board of Directors or the Management Team at 31 December 2020.

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.

Holding of shares, options for shares and RSUs, including those of close associates, as at 31 December 2020:

Amounts in NOK thousands	Holding shares as at 31 Dec 2020	% ownership 31 Dec 2020	Expired options 2020	Exercised options 2020	Granted options 2020	Holding of options as at 31 Dec 2020	Exercised RSU's 2020	Granted RSU's 2020[3]	Holding of RSU's as at 31 Dec 2020[5]
Board of Directors of Targovax ASA:									
Damian Marron, Chairperson of the Board						-		24 485	24 485
Bente-Lill Bjerkelund Romøren, Board member	20 327	0.02%				-	14 863		15 250
Johan Christenson, Board member[1]						-			-
Catherine Wheeler, Board member									6 049
Per Samuelsson, Board member[1]						-			-
Robert Burns, Board member	86 020	0.10 %				21 235		42 604	88 351
Eva-Lotta Coulter, Board member	51 368	0.06 %				-		14 201	29 450
Diane Mellett, Board member	44 149	0.05 %				-	26 445	14 201	35 499
Total Board of Directors	**201 864**	**0.23 %**		**-**	**-**	**21 235**	**41 308**	**95 491**	**199 084**
Management team:									
Øystein Soug, Chief Executive Officer[2]	200 000	0.23 %	300 000		300 000	1 310 000			
Magnus Jäderberg, Chief Medical Officer	20 000	0.02 %			150 000	1080 000			
Erik Digman Wiklund, Chief Business Officer	-	0.00 %			190 000	750 000			
Torbjørn Furuseth, Chief Financial Officer Quality	15 000	0.02 %			190 000	620 000			
Victor Levitsky	-	0.00 %			500 000	500 000			
Ingunn Munch Lindvig, VP Regulatory Affairs	10 000	0.01 %			150 000	267 000			
Anne-Sophie Møller, Head of Clinical Science	-	0.00 %			80 000	250 500			
Kirsi Hellström, Head of CMC	-	0.00 %			145 000	221 500			
Kristiina Hyvärinen, Director CMC[4]	-	0.00 %	126 878	6 664	-	41 958			
Total Management	**245 000**	**0.28 %**	**426 878**	**6 664**	**1 705 000**	**5 040 458**	**-**	**-**	**-**
Total	**446 864**	**0.52 %**	**426 878**	**6 664**	**1 705 000**	**5 061 693**	**41 308**	**95 491**	**199 084**

1) Johan Christenson and Per Samuelsson, both Member of the Board, are partners at HealthCap, HealthCap owns 12 458 375 shares at 31.12.2020
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.
4) Kristiina Hyvarinen resigned from her position as Head of CMC on 31 August 2020.
5) Patrick Vink, the former Chairman of the Board exercised 123 159 RSUs in 2020, hence no outstanding balance at 31.12.2020.

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**	**-102 735**	**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.

Total outstanding options for shares by range of exercise price at 31 December 2020:

Exercise price in NOK	5.77-6.17	6.58-7.10	7.74-9.30	10.19	10.26	12.39	15.21	17.17	21.16	21.96	25-26.22	37.60	Total
Board of Directors of Targovax ASA:													
Robert Burns, Board member												21 235	21 235
Total Board of Directors													21 235
Management team:													
Øystein Soug, CEO		150 000	300 000	300 000				220 000		250 000	90 000		1 310 000
Magnus Jäderberg, CMO		90 000	80 000	150 000		120 000		100 000		150 000	390 000		1 080 000
Erik Digman Wiklund, CBO		130 000	130 000	190 000				150 000	150 000				750 000
Torbjørn Furuseth, CFO		130 000	100 000	190 000	200 000								620 000
Victor Levitski			250 000	250 000									500 000
Ingunn Munch Lindvig, VP Regulatory Affairs	27 000	90 000		150 000									267 000
Anne-Sophie Møller, Head of CS	12 000	90 000	30 000	80 000		10 000		13 500		15 000			250 500
Kirsi Hellström	12 000	50 000	20 000	120 000				9 000			10 000		221 000
Kristiina Hyvärinen, Dir. CMC[1]						12 809	10 000	7 590		11 559			41 958
Total Management	51 000	730 000	910 000	1 430 000	200 000	142 809	10 000	500 090	150 000	426 559	490 000	-	5 040 458
Total	51 000	730 000	910 000	1 430 000	200 000	142 809	10 000	500 090	150 000	426 559	490 000	21 235	5 061 693

1) Kristiina Hyvarinen resigned from her position as Head of CMC on 31 August 2020.

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			10 000		13 500		15 000			170 500
Kristiina Hyvärinen, Dir. CMC	12 000		90 000	20 000				15 000	10 000	13 500		15 000			175 500
Torbjørn Furuseth, CFO			130 000	100 000			200 000								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

Related party transactions

There were no related party transactions in the Group in 2019. The Company entered into a consulting agreement with Levitski V-Biopharm Consulting, a Zurich based company, in April 2020. Levitski V-Biopharm Consulting is a related party of Victor Levitski, who is a member of Targovax Management Team, Chief Scientific Officer as from April 2020. Levitski V-Biopharm Consulting is entitled to a consultancy fee of CHF 26,666 per month.

Related party transactions:

	2020		2019	
Amounts in NOK thousands	Revenue (expense)	Receivable (Payable) at 31 December	Revenue (expense)	Receivable (Payable) at 31 December
Levitski V-Biopharm Consulting	-1 271	-258	-	-

Remuneration to the statutory auditor (excl. VAT)

Amounts in NOK thousands	2020	2019
Statutory audit	385	575
Other attestation services	18	-
Tax services	50	50
Other services	27	138
Total	**480**	**763**

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 2020 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 1 000 000 and (b) 10% of the Company's outstanding shares, options and RSU's. This authorization replaces the previous authorizations to increase the share capital by up to the lower of NOK 800,000 and b) 10% of the Company's outstanding shares, options and RSUs given to the board of directors at the annual general meeting held 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 2 335 000 share options during 2020 and 2 351 000 share options during 2019.

As of 31 December 2020, there are in total 7 310 067 (6 028 642 at 31 December 2019) outstanding options for all option programs, 7 219 659 (5 938 234 at 31 December 2019)) options under the LTI Option Program and 90 408 (90 408 at 31 December 2019) 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 2020 and 2019 is estimated at average of 76,06% and 67,95 %%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2020 and 2019 is 0,42% and 1,25%.

The following table shows the changes in outstanding options in 2020 and 2019:

	2020		2019	
	No. of options	Weighted avg. exercise price (in NOK)	No. of options	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	6 028 642	15.26	4 252 304	19.61
Granted during the period	2 335 000	9.94	2 351 000	6.97
Exercised during the period	-10 726	7.74	-	-
Forfeited	-243 230	7.37	-574 662	13.57
Expired	-799 619	23.41	-	-
Outstanding no. of options at end of period	**7 310 067**	**12.94**	**6 028 642**	**15.26**

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 2020 was 5.45 per share and 3.42 per share in 2019. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2020 and 2019 were:

Amounts in NOK thousands	2020	2019
Volatility (%)	76.06	67.95
Expected life (in years)	3.66	3.66
Risk-free interest rate (%)	0.42	1.25
Share price (NOK)	10.17	6.95
Exercise price (NOK)	9.94	6.97

The expensed share options, NOK 4.9 million in 2020 (Targovax ASA: NOK 4.4 million and Targovax OY: NOK 0.5 million) and NOK 4.6 million in 2019 (Targovax ASA: NOK 3.9 million and Targovax OY: NOK 0.6 million), includes management estimate for employee turnover. The estimated turnover rate used for the year 2020 and 2019 was 0%.

At 31 December 2020, 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 12/31/2020	Weighted average remaining contractual life	Weighted average remaining years until vesting	Weighted average exercise price	Vested outstanding per 12/31/2020	Weighted average exercise price	Weighted average remaining life vested
0.00-0.51	64 872	1.50	1.16	0.51	14 833	0.51	1.50
0.51-7.50	1 234 000	5.93	1.10	6.47	319 242	6.42	5.90
7.50-9.30	1 216 000	5.09	0.75	8.25	502 519	8.22	4.21
9.30-12.39	2 490 298	6.14	1.70	10.50	457 480	11.85	2.85
12.39-21.50	950 128	3.30	0.11	18.22	756 305	18.43	3.11
21.50-21.96	681 755	2.70	0.01	21.96	635 487	21.96	2.66
21.96-25.00	562 000	1.07	0.00	25.00	562 000	25.00	1.07
25.00-37.60	111 014	1.44	0.00	36.58	109 969	36.67	1.42
Total	7 310 067	4.74	0.91	12.94	3 357 835	17.15	3.01

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**

From 1 January 2021 to 17 February 2021 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 2020-2021 have been set out in the minutes from the Annual General Meeting 29 April 2020. The Annual General Meeting 29 April 2020 decided to remunerate the Board of Directors for the period between the AGM 2020 to the AGM 2021 with a combination of cash and Restricted Stock Units (RSUs), hence at the 29 April 2020, additional 95 491 RSUs were granted to the Board of Directors.

The average fair value of RSUs granted in 2020 was 8.22 per share and 6.25 per share in 2019. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2020 and 2019 were:

Amounts in NOK thousands	2020	2019	2018
Volatility (%)	77.93	75.82	49.06
Expected life (in years)	1	1	1
Risk-free interest rate (%)	0.29	1.24	0.7
Share price (NOK)	8.32	6.35	15.64
Exercise price (NOK)	0.1	0.1	0,1

The expensed RSUs in 2020 and 2019 was NOK 0.9 million and NOK 1.1 million. A total of 199 084 RSUs was outstanding at 31 December 2020.

The following table shows the changes in outstanding RSUs in 2020 and 2019:

	2020		2019	
	No. of RSU's	Weighted avg. exercise price (in NOK)	No. of RSU's	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	268 060	0.10	200 428	0.10
Granted during the period	95 491	0.10	170 367	0.10
Exercised during the period	-164 467	0.10	-102 735	0.10
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding no. of Restricted Stock Units at end of period	**199 084**	**0.10**	**268 060**	**0.10**

From 1 January 2021 to 17 February 2021 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	**2020**	**2019**
Consultancy, advisors' expenses and IR	7 746	10 541
Travel expenses	326	2 895
Facilities expenses	754	723
IT services and IT-related accessories	1 846	1 918
Conferences and training	325	638
Other	1 663	1 433
Government Grants	-1	-38
Total operating expenses	**12 658**	**18 109**

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 2020 and 2019 the Group have TNOK 0 and TNOK1 763 in trade receivables, TNOK 866 and TNOK 3 967 in government grant receivables and the Group have TNOK 1 217 and TNOK 3 682 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	2020	2019
Interest income on bank deposit	98	75
Interest income on Money Market fund, Nordea Likviditet III	471	1 423
Interest income on tax repaid	27	25
Amortized interest costs - Business Finland Loan[1)]	-	2 174
Net currency gain - bank and other operating items	-	-
Other finance income	-	-
Total finance income	**596**	**3 698**

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	2020	2019
Interest expense – Business Finland Loan	733	623
Amortized interest costs - Business Finland Loan	3 291	-
Interest expense on lease liabilities	249	335
Other interest expense	81	58
Net currency gain - bank and other operating items	702	258
Other finance expense	43	2
Total finance expense	**5 099**	**1 275**

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 451 million at 31 December 2020 (31 December 2019: NOK 402 million). The research and development expenses expensed in accounting is capitalized in taxation in Finland, hence a temporary difference of EUR 304 million at 31 December 2020 and EUR 249 million at 31 December 2019.

Accumulated tax losses from Targovax OY's operations amounts to EUR 23.6 million as of 31 December 2020 and EUR 23.1 million as of 31 December 2019. With a current tax rate in Finland of 20%, the corresponding deferred tax asset is EUR 4.7 million as at 31 December 2020 and EUR 4.6 million as at 31 December 2019. 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 2020 of NOK 62,0 million and per 31 December 2019 of NOK 58.8 million.

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

Amounts in NOK thousands	2020	2019
Intangible and fixed assets	307 369	290 319
Capitalized R&D for tax purposes	-303 720	-249 011
Leasing	-92	-
Borrowings	10 855	11 865
Share options and RSUs	-671	-336
Financial instruments	118	152
Tax loss carried forward	-697 877	-635 849
Temporary differences and tax losses carried forward at 31.12	-684 019	-582 859
Temporary differences and tax losses carried forward at 31.12 not recognized	**994 252**	**876 969**
Deferred tax asset (22%/20%) not recognized	**218 736**	**192 933**
Deferred tax asset 31.12	**-**	**-**
Recognized temporary differences at 31.12	**310 234**	**294 110**
Deferred tax liability 31.12	**62 047**	**58 822**

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	2020	2019
Loss before income tax	**-108 403**	**-147 850**
Tax calculated at domestic rate (22%) / (22%)	-23 849	-32 527
Tax effect permanent differences	-1 994	-2 171
Tax effect of change in tax rates	-	-
Change in deferred tax asset not recognized	24 199	32 534
Effect on different tax rates in countries in which the Group operates	1 367	1 844
Other	-	-
Tax income / expense (-)	**277**	**321**

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:			
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
2020			
Opening balance	282	367 076	367 358
Additions	-	-	-
Exchange differences	1	22 571	22 571
At 31 December 2020	283	389 646	389 929
Accumulated depreciation and impairment:			
2019			
Opening balance	263	-	263
Depreciation and impairment	12	-	12
At 31 December 2019	275	-	275
2020			
Opening balance	275	-	275
Depreciation and impairment	8	-	8
At 31 December 2020	283	-	283
Carrying amount:			
At 31 December 2019	**7**	**367 076**	**367 083**
At 31 December 2020	**-**	**389 646**	**389 646**

As of 31 December 2020, the recognized intangible assets in the Group amounts to NOK 390 million. This is an increase from NOK 367 million as of 31 December 2019, 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.

ONCOS-102 has been tested for impairment in those cancer indications with the most mature path-to-market outlook and strategy, of which checkpoint inhibitor refractory melanoma is considered the indication with the shortest path-to-market, on the back of very encouraging data during 2020.

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	-131 MNOK / +147 MNOK
Sales price	+/- 1%	+16 MNOK / -16 MNOK
Likelihood of approval	+/- 1% point	+156 MNOK / -156 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		
2019		
Opening balance	1 814	1 814
Additions	134	134
Exchange differences	-6	-6
At 31 December 2019	1 943	1 943
2020		
Opening balance	1 943	1 943
Additions	70	70
Exchange differences	71	71
At 31 December 2020	2 084	2 084
Accumulated depreciation and impairment:		
2019		
Opening balance	926	926
Depreciation charge	291	291
At 31 December 2019	1 217	1 217
2020		
Opening balance	1 217	1 217
Depreciation and impairment charge	688	688
At 31 December 2020	1 905	1 905
Carrying amount:		
At 31 December 2019	726	726
At 31 December 2020	179	179

17. Leases

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.

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	-	-
Acquisition cost 31 December 2019	**7 005**	**7 005**
Accumulated depreciation and impairment 1 January 2019	**-**	**-**
Depreciation	3 722	3 722
Disposals	-	-
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**
Acquisition cost 1 January 2020	**7 005**	**7 005**
Addition of right-of use assets	4 588	4 588
Disposals	-7 005	-7 005
Acquisition cost 31 December 2020	**4 588**	**4 588**
Accumulated depreciation and impairment 1 January 2020	**3 764**	**3 764**
Depreciation	3 040	3 040
Disposals	-5 856	-5 856
Currency exchange differences	-94	-94
Accumulated depreciation and impairment 31 December 2020	**854**	**854**
Carrying amount of right-of-use assets 31 December 2020	**3 734**	**3 734**
Remaining lease term	3 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**
Total lease liabilities at 01.01.2020	**3 241**
New lease liabilities recognized in the year	4 588
Disposal of lease liabilities	-1 150
Cash payments for the principal portion of the lease liability	-3 209
Cash payments for the interest portion of the lease liability	-
Interest expense on lease liabilities	249
Currency exchange differences	106
Total lease liabilities at 31 December 2020	**3 826**

Summary of other lease expenses recognized in profit or loss

Amounts in NOK thousands	2020	2019
Variable lease payments expensed in the period	-	-
Operating expenses in the period related to short-term leases	65	185
Operating expenses in the period related to low value assets	-	-
Total lease expenses included in other operating expenses	65	**185**

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

The leases do not contain any restrictions on the Group's dividend policy or financing. The Group does not have significant residual value guarantees related to its leases to disclose. The Group has not been granted any rent concessions due to the COVID-19 pandemic in 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	2020	2019
Trade receivables	-	1 763
Receivable government grants	866	3 967
Short-term deposits	1 217	3 682
Financial asset receivables	**2 082**	**9 412**
Other receivables	2 777	6 017
Total receivables	**4 859**	**15 429**

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	2020	2019
Bank deposits	73 275	44 354
Money Market fund, Nordea Likviditet III	49 046	26 075
Total cash and cash equivalents	**122 321**	**70 429**

Restricted cash specification:

Amounts in NOK thousands	2020	2019
Income tax withholding from employee	2 038	2 788
Rent deposits [1]	949	3 430
Other[1]	268	251
Total restricted cash	**3 255**	**6 470**

1 Classified as Receivables.

20. Share capital and shareholder information

Targovax raised gross proceeds of NOK 101 million in a private placement in first quarter 2020 through the allocation of 12,627,684 new shares at a subscription price of NOK 8.0 per share. In October 2020, Targovax successfully completed a private placement, raising gross proceeds of approximately NOK 75 million, through the allocation of 10,344,828 new shares at a subscription price of NOK 7.25 per share. The private placements and the issuance of the new shares was resolved by the Company's board of directors based on the authorization granted at the Company's annual general meeting held on 30 April 2019 and 29 April 2020.

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 2020 is 8 653 131.80 (31 December 2019: 6 338 361.30) comprising 86 531 318 ordinary shares at nominal value NOK 0.10 (31 December 2019: 63 383 613 at NOK 0.10). All shares carry equal voting rights.

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

	2020	2019
Ordinary shares at beginning of period	63 383 613	52 616 448
Share issuance - private placement and repair offering	22 972 512	10 664 430
Share issuance, employee share options and RSUs	175 193	102 735
Ordinary shares at end of period	**86 531 318**	**63 383 613**

The 20 largest shareholders are as follows at 31 December 2020:

Shareholder	# shares	%
HealthCap	12 405 584	14.3 %
Radiumhospitalets Forskningsstiftelse	4 427 255	5.1 %
Fjärde AP-fonden	4 000 000	4.6 %
Thorendahl Invest AS	1 750 000	2.0 %
VPF Nordea Kapital	1 748 448	2.0 %
VPF Nordea Avkastning	1 649 274	1.9 %
Bækkelaget Holding AS	1 603 287	1.9 %
Nordnet Bank AB	1 529 969	1.8 %
Danske Bank AS	1 446 001	1.7 %
Nordnet Livsforsikring AS	1 429 953	1.7 %
Morgan Stanley & Co. International	1 343 716	1.6 %
The Bank of New York Mellon SA/NV	1 290 959	1.5 %
Verdipapirfondet Nordea Norge Plus	1 076 603	1.2 %
MP Pensjon PK	1 061 925	1.2 %
State Street Bank and Trust Comp	1 038 000	1.2 %
Goldman Sachs & Co. LLC	993 850	1.1 %
Egil Pettersen	917 951	1.1 %
J.P. Morgan Bank Luxembourg S.A.	820 000	0.9 %
Barclays Capital Securities Ltd	770 717	0.9 %
Prieta AS	720 000	0.8 %
20 largest shareholders	**42 023 492**	**48.5 %**
Other shareholders (5 844)	44 507 826	51.5 %
Total shareholders	**86 531 318**	**100.0 %**

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 %**

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	2020	2019
Loss for the period	-108 126	-147 529
Average number of outstanding shares during the period	77 106	60 769
Earnings/ loss per share - basic and diluted	-1.40	-2.43

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

Share options and RSUs shall be treated as dilutive only if their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the 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 6.9 million as of 31 December 2020 (EUR 6 .3 million as of 31 December 2019). An additional loan approval of EUR 0.5 million was granted to one of the existing Business Finland loans during 1st quarter 2020. The Group was granted an extension of the repayment-free period in 2019, hence no short-term loan as per 31 December 2019. EUR 0.3 million of the total debt EUR 6.9 million was short-term as per 31 December 2020 and the Group will apply for an extension of the repayment-free period.

Pursuant to IFRS, these loans have a grant element due to the low interest rate they carry. The loan periods of the R&D loans are 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 six years, (2021-2026 and 2023-2028) and one during the latter five years (2022-2026). 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 4.3 million has been recorded in the statement of profit or loss and other comprehensive income as at 31 December 2020, and NOK 3.6 million as at 31 December 2019.

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 Targovax 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 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**
Cash flow from financing activities	-
Exchange differences	2 745
Additions financial liabilities	5 555
Change to loan repayment schedules	-
Other transactions without cash settlement	2 325
Interest-bearing liabilities 31 December 2020	**61 066**

22. Current liabilities

The Group's financial liabilities consist of the short-term part of the EUR 6 869 000 loan from Business Finland (see note 21 Interest-bearing debt), short-term lease liabilities, 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	2020	2019
Interest-bearing liabilities	3 185	-
Short-term lease liabilities	1 258	3 241
Trade and other payables	5 196	11 136
Financial liabilities	**9 638**	**14 378**
Other liabilities	16 017	36 312
Total current liabilities	**25 656**	**50 690**

23. Events after the reporting date

Post-period highlights

In February, the US FDA granted ONCOS-102 Fast-Track designation for malignant pleural mesothelioma.

In February 2021, Targovax entered into a research collaboration with Papyrus Therapeutics to develop novel ONCOS viruses with receptor tyrosine kinase (RTK) inhibitor functionality.

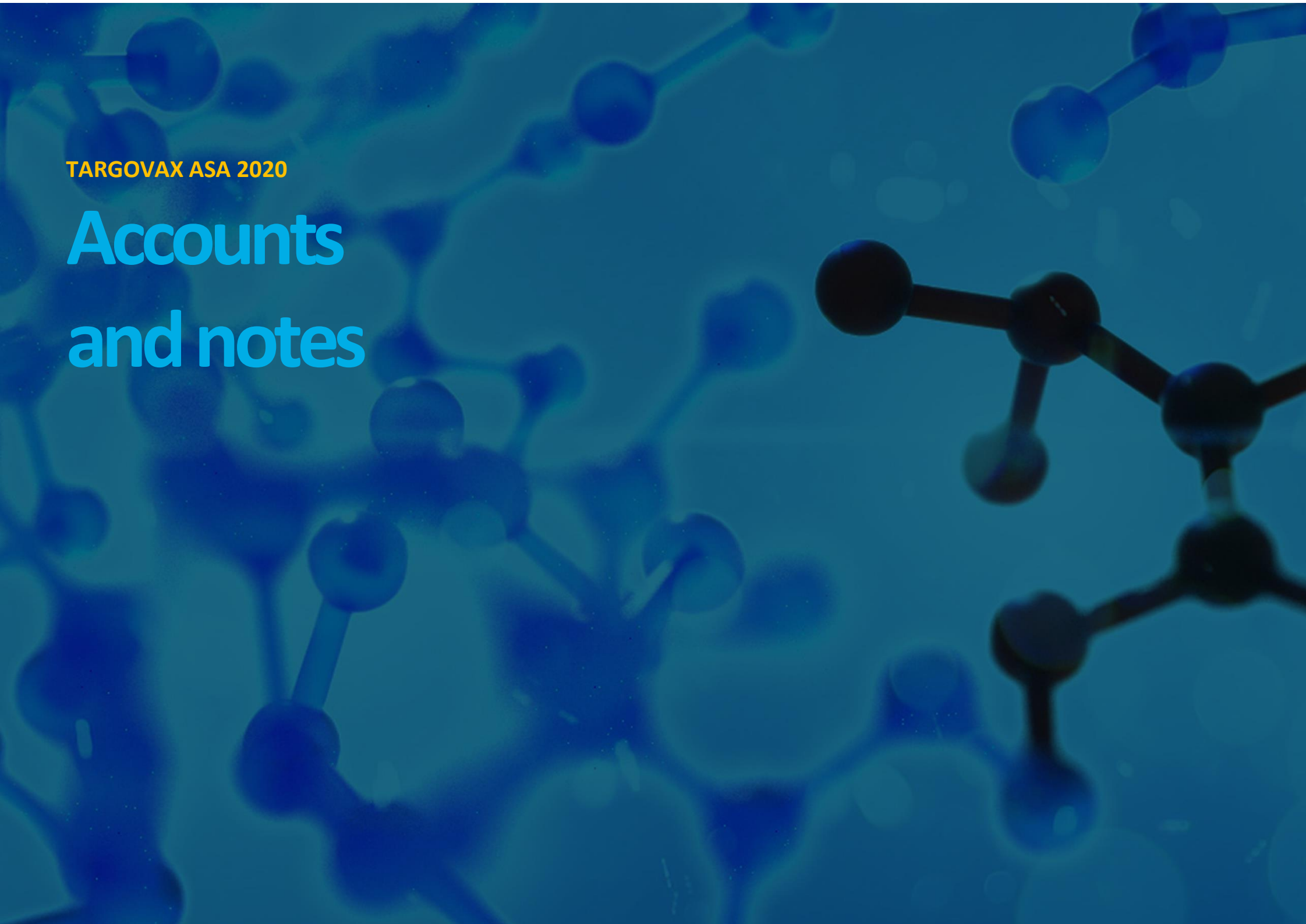
In February 2021, the collaboration partner SOTIO stopped the combination trial assessing the combination of ONCOS-102 and DCVAC/PCa in prostate cancer. Only a very limited patient population fulfilled the strict inclusion criteria. Therefore, the recruitment could not meet originally planned numbers.

In January 2021, Targovax granted IOVaxis 3 months extension to the exclusive license option for TG mutant RAS vaccines in Greater China and Singapore renowned experts in immuno-oncology research and drug development carefully selected to act as advisors to guide the Targovax R&D strategy.

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

TARGOVAX ASA 2020

Accounts and notes



Contents

Statement of profit or loss
Targovax ASA

Amounts in NOK thousands expect per share	*Note*	2020	2019
Other revenues	6,10	15 506	16 308
Total revenue		**15 506**	**16 308**
External R&D expenses	7,8	-5 386	-13 225
Payroll and related expenses	7,8,9,10,11	-38 069	-45 035
Other operating expenses	7,8,12	-10 800	-19 567
Depreciation, amortizations and write downs	15,16,17	-1 136	-1 799
Total operating expenses		**-55 391**	**-79 625**
Operating profit/loss (-)		**-39 885**	**-63 317**
Finance income	13	596	1 524
Finance expense	13	-626	-339
Net finance income (expense)		**-31**	**1 185**
Loss before income tax		**-39 915**	**-62 132**
Income tax expense	14		
Loss for the period		**-39 915**	**-62 132**
Earnings/loss (-) per share			
Basic and dilutive earnings/loss (-) per share	20	-0.52	-1.02

Statement of comprehensive income
Targovax ASA

Amounts in NOK thousands expect per share data	2020	2019
Income/loss (-) for the period	-39 915	-62 132
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	**-39 915**	**-62 132**

Statement of financial position
Targovax ASA

Amounts in NOK thousands	*Note*	31.12.2020	31.12.2019
ASSETS			
Investments in subsidiaries	15	586 466	509 974
Property, plant, and equipment	16	3	35
Right-of use assets	17	2 885	1 533
Total non-current assets		**589 354**	**511 542**
Receivables	8,10,13,18	6 856	11 674
Cash and cash equivalents	19	105 743	53 984
Total current assets		**112 599**	**65 657**
TOTAL ASSETS		**701 953**	**577 199**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	20	8 653	6 338
Share premium reserve		1 046 476	886 899
Other reserves		46 960	41 673
Retained earnings		-415 177	-375 262
Total equity		**686 912**	**559 648**
Non-current liabilities			
Lease liabilities	17	2 057	-
Total non-current liabilities		**2 057**	-
Current liabilities			
Short-term lease liabilities	17	912	1 533
Accounts payable and other current liabilities	21	524	2 662
Accrued public charges	21	3 099	3 657
Other short-term liabilities	21	8 450	9 700
Total current liabilities		**12 985**	**17 551**
TOTAL EQUITY AND LIABILITIES		**701 953**	**577 199**

Oslo, 17 February 2021
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 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		-	-7 788	-	-	-7 788
Share issuance, employee share options	20	10		-	-	10
Transaction costs – employee share options & RSUs			-28			-28
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**
Loss for the period					-39 915	-39 915
Other comprehensive income/loss, net of tax						-
Total comprehensive income for the period					**-39 915**	**-39 915**
Issue of ordinary shares - Capital increase - Private Placement & Subsequent offering	20	2 297	173 724			176 021
Transaction costs - Private Placement			-14 164			-14 164
Share issuance, employee share options & RSUs	20	18	82	-	-	99
Transaction costs – employee share options & RSUs			-65			-65
Recognition of share-based payments & RSU's	11			5 287	-	5 287
Balance at 31 December 2020		**8 653**	**1 046 476**	**46 960**	**-415 177**	**686 912**

Statement of cashflow – Targovax ASA

Amounts in NOK thousands	*Note*	2020	2019
Cash flow from operating activities			
Loss before income tax		-39 915	-62 132
Adjustments for:			
Finance income	13	-596	-1 524
Finance expense	13	626	339
Interest received	13	596	1 524
Other finance expense	13	-177	-62
Share option expense	11	5 287	5 016
Depreciation	16,17	1 136	1 799
Change in receivables	18	-9 025	-9 120
Change in other current liabilities	21	-3 946	-11 689
Net cash flow from /(used in) operating activities		**-46 013**	**-75 849**
Cash flow from investing activities			
Investment in subsidiary	15	-62 650	-75 995
Net cash received from/(paid in) investing activities		**-62 650**	**-75 995**
Cash flow from financing activities			
Repayment of lease liabilities	17	-1 229	-1 710
Proceeds from issuance of shares -Private Placement and repair offering	20	176 021	74 651
Share issue expense - Private Placement and repair offering		-14 164	-7 788
Proceeds from exercise of options	20	99	10
Share issue expense – share options and RSUs		-65	-28
Net cash generated from financing activities		**160 663**	**65 135**
Net increase/(decrease) in cash and cash equivalents		52 000	-86 709
Net exchange gain/loss on cash and cash equivalents		-241	-305
Cash and cash equivalents at beginning of period		53 984	140 998
Cash and cash equivalents at end of period	19	**105 743**	**53 984**

1. General information

The Company, Targovax ASA, is a Norwegian public limited liability company and the address of the registered office is Vollsveien 19, 1366 Lysaker, Norway.

Targovax (OSE:TRVX) is a clinical stage immuno-oncology company developing oncolytic viruses to target hard-to-treat solid tumors.

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 adenovirus, together with 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.

Targovax has also developed a mutant RAS peptide vaccine platform, with the two products TG01 and TG02. The Group is actively targeting partnering or licensing opportunities for these products. In addition, the Group has started exploring new mutant RAS concepts in discovery phase.

These financial statements have been approved for issue by the Board of Directors on 17 February 2021 and are subject to approval by the Annual General Meeting in March 2021.

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

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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 2020 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 and fourth 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 31 December 2020. 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 2020 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 other than its leasing liabilities. 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 2020 and 2019:

	2020		2019	
Amounts in NOK thousands	1% point increase	1% point decrease	1% point increase	1% point decrease
Loss before income tax effect	1 057	-1 057	540	-540

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 2020 and 2019.

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

	2020		2019	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	1 996	- 1 996	684	- 684

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

	2020		2019	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	134	-134	522	-522

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

	2020		2019	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	421	-421	207	-207

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

	2020		2019	
Amounts in NOK thousands	10% point increase	10% point decrease	10% point increase	10% point decrease
Loss before income tax effect	405	-405	-14	14

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:

	2020		2019		Rating
Amounts in NOK thousands	Amount	In %	Amount increase	In %	
Cash at bank:	56 697	54%	27 908	52%	
Nordea Bank AB	56 693	54%	27 902	52%	**AA-**
DNB Bank ASA	3	0%	6	0%	**AA-**
Money market funds:	**49 046**	**46%**	**26 075**	**48%**	
Nordea Likviditet III	49 046	46%	26 075	48%	
Total	**105 743**	**100%**	**53 984**	**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.

	2020		2019	
Amounts in NOK thousands	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	6 856	6 856	11 674	11 674
Cash and cash equivalents	105 743	105 743	53 984	53 984
Total financial assets	**112 599**	**112 599**	**65 657**	**65 657**
Lease liabilities	2 969	2 969	1 533	1 533
Accounts payable and other current liabilities	524	524	2 662	2 662
Total financial liabilities	**3 493**	**3 493**	**4 195**	**4 195**

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 and fourth quarter 2020, sufficient cash available to meet its obligations as at 31 December 2020 and related to planned activities in the next 12 months. Hence, the Company is funded into 2022, and will need new funding for the next phases of the development program and subsequent clinical trials. All liabilities at year-end, other than long-term lease liabilities, 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 2020 and 2019 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 2020

(Amounts in NOK thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Lease liabilities		277	832	2 218		3 327
Accounts payable and other current liabilities	-	524	-	-	-	524
Accrued public charges	-	3 099	-	-	-	3 099
Other short-term liabilities	-	8 450	-	-	-	8 450
Total	**-**	**12 350**	**832**	**2 218**	**-**	**15 400**

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	**-**	**16 416**	**1 192**	**-**	**-**	**17 608**

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	**2020**	**2019**
Revenue from subsidiary	15 498	14 081
Other revenue	9	2 228
Total operating revenue	15 506	16 308

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. An IND application to initiate clinical development of TG01 has been submitted to the Chinese National Medical Products Administration (NMPA), but the application preparation and regulatory review process has been delayed due to COVID-19 related issues. To accommodate the delay caused by these unforeseen circumstances, the Company extended in January 2021 the license option period by 3 months. IOVaxis paid the Company USD 250.000 for this exclusive option in first quarter 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:

	2020		**2019**	
Amounts in NOK thousands	Total	Of which R&D	Total	Of which R&D
External R&D expenses	5 386	5 386	13 225	13 225
Payroll and related expenses	38 069	17 982	45 035	22 027
Other operating expenses	10 800	24	19 567	400
Depreciation, amortizations and write downs	1 136	-	1 799	-
Total	**55 391**	**23 392**	**79 625**	**35 651**

The following external research and development expenditures have been expensed:

Amounts in NOK thousands	2020	2019
R&D related consultancy and other expenses	2 186	12 730
Cost of manufacturing for R&D	1 417	1 195
Patent expenses	2 356	2 634
Government grants	-573	-3 334
Total external research and development expenses	**5 386**	**13 225**

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	2020	2019
External R&D expenses	573	3 334
Payroll and related expenses	292	592
Other operating expenses	1	38
Total grants	**866**	**3 964**

For the full year 2020 the Company has, for SkatteFUNN projects, recognized NOK 0.9 million (NOK 4.0 million in 2019) as cost reduction in External R&D expenses, Payroll and related expenses and Other operating expenses.

Specification of grants receivables:

Amounts in NOK thousands	2020	2019
Grants from SkatteFUNN	866	3 964
Total grants receivable	**866**	**3 964**

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	**2020**	**2019**
Salaries and bonus	26 526	28 076
Employer's national insurance contributions	4 179	4 344
Share-based compensation [1)]	5 287	5 016
Pension expenses – defined contribution plan	883	1 161
Restructuring costs [2)]	-150	5 258
Other	1 636	1 770
Governmental grants	-292	-592
Total payroll and related expenses	**38 069**	**45 035**

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. The total provision for restructuring costs of NOK 5.3 million per 31 December 2019 was reduced by NOK 0,15 million as per 30 September 2020. NOK 0.6 was paid in 2020 and NOK 4.5 million was paid in 2019, hence no remaining provision at end of 2020.

Number of employees calculated on a full-time basis as at end of period	13.6	15.0
Number of employees as at end of period	14	15

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 Kirsi Hellström and Kristiina Hyvarinen, CMC Managers 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 Note 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:

Amounts in NOK thousands	2020 Revenue (expense)	2020 Receivable (Payable) at 31 December	2019 Revenue (expense)	2019 Receivable (Payable) at 31 December
Subsidiaries:				
expense related to subsidiaries	-1 324		-897	
receivables related to subsidiaries		4 424		2 997
revenue related to subsidiaries	15 498		14 081	
Levitski V-Biopharm Consulting	-1 301	-129		

The Company entered into a consulting agreement with Levitski V-Biopharm Consulting, a Zurich based company, in April 2020. Levitski V-Biopharm Consulting is a related party of Victor Levitski, who is a member of Targovax Management Team, Chief Scientific Officer as from April 2020. Levitski V-Biopharm Consulting is entitled to a consultancy fee of CHF 13,333 per month.

Remuneration to the statutory auditor (excl. VAT):

Amounts in NOK thousands	2020	2019
Statutory audit	285	429
Other attestation services	18	-
Tax services	50	50
Other services	-	138
Total	**353**	**618**

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 2020 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 1 000 000 and (b) 10% of the Company's outstanding shares, options and RSU's. This authorization replaces the previous authorizations to increase the share capital by up to the lower of NOK 800,000 and b) 10% of the Company's outstanding shares, options and RSUs given to the board of directors at the annual general meeting held 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.

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 2020 and 2019 is estimated at average of 76,06% and 67,95 %%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in 2020 and 2019 is 0,42% and 1,25%.

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 2 335 000 share options during 2020 and 2 351 000 share options during 2019.

As of 31 December 2020, there are in total 7 310 067 (6 028 642 at 31 December 2019) outstanding options for all option programs, 7 219 659 (5 938 234 at 31 December 2019) options under the LTI Option Program and 90 408 (90 408 at 31 December 2019) options under the IPR Option Program.

The following table shows the changes in outstanding options in 2020 and 2019:

	2020		2019	
	No. of options	Weighted avg. exercise price (in NOK)	No. of options	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	6 028 642	15.26	4 252 304	19.61
Granted during the period	2 335 000	9.94	2 351 000	6.97
Exercised during the period	-10 726	7.74	-	-
Forfeited	-243 230	7.37	-574 662	13.57
Expired	-799 619	23.41	-	-
Outstanding no. of options at end of period	**7 310 067**	**12.94**	**6 028 642**	**15.26**

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 2020 was 5.45 per share and 3.42 per share in 2019. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2020 and 2019 were:

Amounts in NOK thousands	2020	2019
Volatility (%)	76.06	67.95
Expected life (in years)	3.66	3.66
Risk-free interest rate (%)	0.42	1.25
Share price (NOK)	10.17	6.95
Exercise price (NOK)	9.94	6.97

The expensed share options, NOK 4.9 million in 2020 (Targovax ASA: NOK 4.4 million and Targovax OY: NOK 0.5 million) and NOK 4.6 million in 2019 (Targovax ASA: NOK 3.9 million and Targovax OY: NOK 0.6 million), includes management estimate for employee turnover. The estimated turnover rate used for the year 2020 and 2019 was 0%.

At 31 December 2020, 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 12/31/2020	Weighted average remaining contractual life	Weighted average remaining years until vesting	Weighted average exercise price	Vested outstanding per 12/31/2020	Weighted average exercise price	Weighted average remaining life vested
0.00-0.51	64 872	1.50	1.16	0.51	14 833	0.51	1.50
0.51-7.50	1 234 000	5.93	1.10	6.47	319 242	6.42	5.90
7.50-9.30	1 216 000	5.09	0.75	8.25	502 519	8.22	4.21
9.30-12.39	2 490 298	6.14	1.70	10.50	457 480	11.85	2.85
12.39-21.50	950 128	3.30	0.11	18.22	756 305	18.43	3.11
21.50-21.96	681 755	2.70	0.01	21.96	635 487	21.96	2.66
21.96-25.00	562 000	1.07	0.00	25.00	562 000	25.00	1.07
25.00-37.60	111 014	1.44	0.00	36.58	109 969	36.67	1.42
Total	7 310 067	4.74	0.91	12.94	3 357 835	17.15	3.01

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**

From 1 January 2021 to 17 February 2021 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 2020-2021 have been set out in the minutes from the Annual General Meeting 29 April 2020. The Annual General Meeting 29 April 2020 decided to remunerate the Board of Directors for the period between the AGM 2020 to the AGM 2021 with a combination of cash and Restricted Stock Units (RSUs), hence at the 29 April 2020, additional 95 491 RSUs were granted to the Board of Directors.

The average fair value of RSUs granted in 2020 was 8.22 per share and 6.25 per share in 2019. The weighted- average assumptions used to determine the Black Scholes fair value of options granted in 2020 and 2019 were:

Amounts in NOK thousands	2020	2019
Volatility (%)	77.93	75.82
Expected life (in years)	1	1
Risk-free interest rate (%)	0.29	1.24
Share price (NOK)	8.32	6.35
Exercise price (NOK)	0.1	0.1

The expensed RSUs in 2020 and 2019 was NOK 0.9 million and NOK 1.1 million. A total of 199 084 RSUs was outstanding at 31 December 2020.

The following table shows the changes in outstanding RSUs in 2020 and 2019:

	2020		2019	
	No. of RSU's	Weighted avg. exercise price (in NOK)	No. of RSU's	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	268 060	0.10	200 428	0.10
Granted during the period	95 491	0.10	170 367	0.10
Exercised during the period	-164 467	0.10	-102 735	0.10
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding no. of Restricted Stock Units at end of period	**199 084**	**0.10**	**268 060**	**0.10**

From 1 January 2021 to 17 February 2021 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	**2020**	**2019**
Consultancy, advisors' expenses and IR	6 915	9 553
Travel expenses	266	2 572
Facilities expenses	564	610
IT services and IT-related accessories	1 450	1 560
Conferences and training	271	552
Other	1 474	1 269
Impaired debt – Targovax Solutions LLC	-139	3 488
Government Grants	-1	-38
Total operating expenses	**10 800**	**19 567**

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 2020 and 2019 the Company has TNOK 0 and TNOK 1 756 in trade receivables, TNOK 866 and TNOK 3 964 in government grant receivables and the Company has TNOK 800 and TNOK 979 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	**2020**	**2019**
Interest income on bank deposit	98	75
Interest income on Money Market fund, Nordea Likviditet III	471	1 423
Interest income on tax repaid	26	25
Net currency gain - bank and other operating items	-	-
Total finance income	**596**	**1 524**

Finance expense is:

Amounts in NOK thousands	**2020**	**2019**
Interest expense on lease liabilities	208	-29
Other interest expense	102	51
Net currency loss - bank and other operating items	314	315
Other finance expense	3	2
Total finance expense	**626**	**339**

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 451 million at 31 December 2020 (31 December 2019: NOK 402 million).

No current or deferred tax charge or liability has been recognized for 2020.

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

Amounts in NOK thousands	**2020**	**2019**
Fixed assets	-67	-53
Leasing	-84	-
Share options and RSUs	-671	-336
Financial instruments	118	152
Tax loss carried forward	-451 168	-401 782
Temporary differences and tax losses carried forward at 31.12	-451 873	-402 018
Deferred tax asset (22% (2019;22%)) not recognized	99 412	88 444
Deferred tax asset	-	-

Amounts in NOK thousands	**2020**	**2019**
Loss before income tax	**-39 915**	**-62 132**
Tax calculated at (22%) / (22%)	-8 781	-13 669
Tax effect permanent differences	-2 187	-717
Tax effect of change in tax rates	-	-
Change in deferred tax not recognized	10 968	14 386
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 it's 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 %

Please see Note 15 Intangible assets and impairment test in the 2020 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 was liquidated second quarter 2020.

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 2 985 at 31 December 2020 and 34 904 at 31 December 2019 consist mainly of office equipment. No impairment losses have been recognized. No development costs have been recognized as assets as per 31 December 2020.

Amounts in NOK thousands	Furniture, fittings & equipment	Total
Cost:		
2019		
Opening balance	356	356
Additions	-	-
At 31 December 2019	356	356
2020		
Opening balance	356	356
Additions	-	-
At 31 December 2020	356	356
Accumulated depreciation and impairment:		
2019		
Opening balance	261	261
Depreciation and impairment charge	60	60
At 31 December 2019	321	321
2020		
Opening balance	321	321
Depreciation and impairment charge	32	32
At 31 December 2020	353	353
Carrying amount:		
At 31 December 2019	**35**	**35**
At 31 December 2020	**3**	**3**

17. Leases

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.

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 2019	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**
Acquisition cost 1 January 2020	**3 271**	**3271**
Addition of right-of-use assets	3 607	3 607
Disposals	-3 271	-3 271
Acquisition cost 31 December 2020	**3 607**	**3 607**
Accumulated depreciation and impairment 1 January 2020	**1 738**	**1 738**
Depreciation 2020	1 105	1 105
Disposals	-2 122	-2 122
Accumulated depreciation and impairment 31 December 2020	**721**	**721**
Carrying amount of right-of-use assets 31 December 2020	**2 885**	**2 885**
Remaining lease term at 31 December 2020	3 year	

Lease liabilities

Summary of the lease liabilities	Buildings	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 short-term low value assets)	170	170
Operating expenses in the period related to low value assets (excluding short-term leases included above)	-	-
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.

Summary of the lease liabilities	Buildings	Total
Amounts in NOK thousands		
Total lease liabilities at 01.01.2020	**1 533**	**1 533**
New lease liabilities recognized in the year	3 607	3 607
Disposal of lease liabilities	-1 150	-1
Cash payments for the principal portion of the lease liability	- 1 229	-1
Cash payments for the interest portion of the lease liability	-	-
Interest expense on lease liabilities	208	208
Currency exchange differences	-	-
Total lease liabilities at 31 December 2020	**2 969**	**2 969**

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 short-term low value assets)	49	49
Operating expenses in the period related to low value assets (excluding short-term leases included above)	-	-
Total lease expenses included in other operating expenses	**49**	**49**

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

The leases do not contain any restrictions on the Company's dividend policy or financing. The Company does not have significant residual value guarantees related to its leases to disclose. The Company has not been granted any rent concessions due to the COVID-19 pandemic in 2020.

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	2020	2019
Trade receivables	-	1 756
Receivable from subsidiaries	4 424	2 997
Receivable government grants	866	3 964
Short-term deposits	800	979
Financial asset receivables	**6 090**	**9 700**
Other receivables	766	1 977
Total receivables	**6 856**	**11 674**

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	**2020**	**2019**
Bank deposits	56 697	27 908
Money Market fund, Nordea Likviditet III	49 046	26 075
Total cash and cash equivalents	**105 743**	**53 984**

Restricted cash specification:

Amounts in NOK thousands	**2020**	**2019**
Income tax withholding from employee compensation	2 038	2 788
Rent deposits [1]	800	979
Total restricted cash	**2 838**	**3 768**

1 Classified as Receivables.

20. Share capital and shareholder information

The Company raised gross proceeds of NOK 101 million in a private placement in first quarter 2020 through the allocation of 12,627,684 new shares at a subscription price of NOK 8.0 per share. In October 2020, the Company successfully completed a private placement, raising gross proceeds of approximately NOK 75 million, through the allocation of 10,344,828 new shares at a subscription price of NOK 7.25 per share. The private placements and the issuance of the new shares was resolved by the Company's board of directors based on the authorization granted at the Company's annual general meeting held on 30 April 2019 and 29 April 2020.

The Company 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 2020 is 8 653 131.80 (31 December 2019: 6 338 361.30) comprising 86 531 318 ordinary shares at nominal value NOK 0.10 (31 December 2019: 63 383 613 at NOK 0.10). All shares carry equal voting rights.

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

	2020	2019
Ordinary shares at beginning of period	63 383 613	52 616 448
Share issuance - private placement and repair offering	22 972 512	10 664 430
Share issuance, employee share options and RSUs	175 193	102 735
Ordinary shares at end of period	**86 531 318**	**63 383 613**

The 20 largest shareholders are as follows at 31 December 2020:

Shareholder	# shares	%
HealthCap	12 405 584	14.3 %
Radiumhospitalets Forskningsstiftelse	4 427 255	5.1 %
Fjärde AP-fonden	4 000 000	4.6 %
Thorendahl Invest AS	1 750 000	2.0 %
VPF Nordea Kapital	1 748 448	2.0 %
VPF Nordea Avkastning	1 649 274	1.9 %
Bækkelaget Holding AS	1 603 287	1.9 %
Nordnet Bank AB	1 529 969	1.8 %
Danske Bank AS	1 446 001	1.7 %
Nordnet Livsforsikring AS	1 429 953	1.7 %
Morgan Stanley & Co. International	1 343 716	1.6 %
The Bank of New York Mellon SA/NV	1 290 959	1.5 %
Verdipapirfondet Nordea Norge Plus	1 076 603	1.2 %
MP Pensjon PK	1 061 925	1.2 %
State Street Bank and Trust Comp	1 038 000	1.2 %
Goldman Sachs & Co. LLC	993 850	1.1 %
Egil Pettersen	917 951	1.1 %
J.P. Morgan Bank Luxembourg S.A.	820 000	0.9 %
Barclays Capital Securities Ltd	770 717	0.9 %
Prieta AS	720 000	0.8 %
20 largest shareholders	**42 023 492**	**48.5 %**
Other shareholders (5 844)	44 507 826	51.5 %
Total shareholders	**86 531 318**	**100.0 %**

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 %**

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	**2020**	**2019**
Loss for the period	-39 915	-62 132
Average number of outstanding shares during the period	77 106	60 769
Earnings/ loss per share - basic and diluted	**-0.52**	**-1.02**

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	**2020**	**2019**
Short-term lease liabilities	912	1 533
Trade and other payables	524	2 662
Financial liabilities	**1 436**	**4 195**
Other liabilities	11 549	13 357
Total current liabilities	**12 985**	**17 551**

22. Events after the reporting date

Post-period highlights

In February, the US FDA granted ONCOS-102 Fast-Track designation for malignant pleural mesothelioma.

In February 2021, Targovax entered into a research collaboration with Papyrus Therapeutics to develop novel ONCOS viruses with receptor tyrosine kinase (RTK) inhibitor functionality.

In February 2021, the collaboration partner SOTIO stopped the combination trial assessing the combination of ONCOS-102 and DCVAC/PCa in prostate cancer. Only a very limited patient population fulfilled the strict inclusion criteria. Therefore, the recruitment could not meet originally planned numbers.

In January 2021, Targovax granted IOVaxis 3 months extension to the exclusive license option for TG mutant RAS vaccines in Greater China and Singapore renowned experts in immuno-oncology research and drug development carefully selected to act as advisors to guide the Targovax R&D strategy. Please see Important events after balance sheet date in the Director's report for further details.

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 2020, 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 2020, 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 2020, 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 2020, 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 389 646 thousand as of 31 December 2020. 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 2020. 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 a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- 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.

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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, 17 February 2021
PricewaterhouseCoopers AS

Herman Skibrek
State Authorised Public Accountant

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