



QUARTERLY REPORT
2Q and 1H 2016

Interim Report second quarter and first half year 2016

Arming the patient's immune system to fight cancer

Targovax is a clinical stage immuno-oncology company developing targeted immunotherapy treatments for cancer patients. Targovax has a broad and diversified immune therapy portfolio and aims to become a world leader in its area. The company is currently developing two complementary and highly targeted approaches in immuno-oncology.

ONCOS-102 is a product candidate derived from a virus-based immunotherapy platform based on engineered oncolytic viruses armed with potent immune-stimulating transgenes targeting solid tumors. This treatment is designed to reactivate the immune system's capacity to recognize and attack cancer cells.

The product candidates TG01 and TG02 constitute a peptide-based immunotherapy platform targeting the difficult to treat RAS mutations¹ found in more than 85% of pancreatic cancers, 50% of colorectal cancer and 20-30% of all cancers. Targovax is working towards demonstrating that TG vaccines will prolong time to cancer progression and increase survival.

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

HIGHLIGHTS

- Recruited and dosed the first patient in the Phase Ib/II trial evaluating ONCOS-102 for the treatment of malignant pleural mesothelioma (MPM), a rare type of cancer in the lining of the lung, in combination with chemotherapy
- Reported encouraging interim immunological response from the second cohort of the Phase I/II TG01 trial, assessing early immune activation
- Completed recruitment in the open label Phase I/II TG01 trial in combination with chemotherapy of patients with resected pancreatic cancer. 32 patients are included in the trial
- Confirmed synergism between ONCOS-102 and chemotherapy through in vivo research and published data in The International Journal of Cancer
- Received US patent for lead viral product ONCOS-102
- Raised NOK 110m in new equity, securing funding for further development of the company's ongoing and planned trials
- In July, listed the shares on Oslo Axess
- In August, raised NOK 4m in a subsequent repair offering

¹ Mutations in the DNA of RAS protein cause uninhibited cell growth i.e. cancer

Clinical development

TG01 in pancreatic cancer

Targovax has an ongoing open label, Phase I/II clinical trial with TG01, GM-CSF² and gemcitabine (chemotherapy) as adjuvant therapy for treating patients with resected adenocarcinoma of the pancreas. The trial is structured as a first cohort of 19 patients and a second cohort of 13 patients on a modified vaccination schedule. The recruitment to this trial was completed in May 2016 and the patients will be monitored for 24 months. The results, including two-year survival data in both cohorts, will be available in 1H 2017 and 1H 2018 respectively.

In March 2015, Targovax showed that TG01, administered in combination with gemcitabine, induced and enhanced RAS specific T-cell immune responses.

In March 2016, Targovax conducted a pre-determined interim survival analysis of the first cohort indicating promising survival data. Of the 19 patients included in the cohort, 15 patients provided consent to be followed up for survival and four patients did not. The 1-year survival data showed that 14 out of these 15 patients were alive and one had passed away due to causes assessed by the investigator as unrelated to the patients underlying cancer. The regimen was generally well tolerated.

In April 2016, Targovax reviewed interim data for early immune activation (DTH responses) in the modified vaccination cohort. Four out of the five first recruited patients (of a total of 13 patients) showed an eight-week immune response. These results were in line with the analysis of the first cohort (in March 2015) where 18 out of 19 patients were eligible for immune response assessment and 15 patients had established a detectable early immune response.

TG02 in colorectal cancer

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

Currently, the plan is to include approximately 20 patients in Australia. The trial is planned to start its recruitment during the second half of 2016.

ONCOS-102 in mesothelioma

This trial is a randomized Phase II open label trial with a Phase Ib safety lead-in of ONCOS-102 and pemetrexed/cisplatin, the standard of care chemotherapy, in patients with un-resectable malignant pleural mesothelioma. The trial is planned to include six patients in the lead-in for safety evaluation of the combination treatment, and approximately 24 patients in a randomized part to compare the tumor targeted immune activation of the combination treatment with the standard of care chemotherapy.

In June 2016, the first patient was recruited into the safety cohort and dosed.

ONCOS-102 in melanoma

The melanoma trial is an open-label Phase I trial exploring the safety and immune activation as well as clinical response of sequential treatment with ONCOS-102 and a checkpoint inhibitor in patients with advanced melanoma who have not responded to prior treatment with checkpoint inhibitors. The goal of the trial is to investigate whether these patients will respond to a checkpoint inhibitor after the ONCOS-102 priming treatment. The trial is planned to include approximately 12 patients in the US and will, according to plan, commence in the second half of 2016. Immune activation data of initial treatments with ONCOS-102 is expected in the second half of 2017. Clinical results from the

² TG01 and TG02 are administered together with GM-CSF

sequential treatment are expected in first half of 2018.

Clinical trials with collaboration partners

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

Through these collaborations, Targovax gets access to leading expertise and extensive clinical trial networks.

The joint trial with Ludwig and CRI includes testing and evaluation of ONCOS-102 in combination with other synergistic immunotherapies, such as checkpoint inhibitors, in various oncology indications.

The objective of the Sotio collaboration is to study the safety and tolerability when combining ONCOS-102 and Sotio's dendritic cell therapy DCVAC/PCa in prostate cancer patients.

In both cases, the sponsor of the trial will be the collaboration partner. The plan is to recruit the first patients into both these trials during the 2H 2016. After the first patients have been recruited, details about the trials and combination products will be made public.

Preclinical development

The International Journal of Cancer published preclinical in vivo data in a mesothelioma xenograft model, demonstrating synergy of ONCOS-102 with pemetrexed and cisplatin. These findings support the rationale for the ongoing trial of ONCOS-102 in combination with pemetrexed and cisplatin in patients suffering from malignant mesothelioma.

IPR / Market exclusivity

Targovax owns a patent portfolio protecting its pipeline with different families of patents and patent applications covering its product candidates in development as well as potential future product candidates. The company continuously works to strengthen its patent portfolio.

The company has Orphan Drug status for ONCOS-102 within mesothelioma, ovarian cancer and soft tissue sarcoma³ in the EU and USA, ensuring 10 and 7 years of market protection respectively from the date of market approval. TG01 in pancreatic cancer has previously been granted Orphan Drug status in the EU and USA. In June, Targovax was granted a US patent for its oncolytic virus product ONCOS-102.

FINANCIAL REVIEW

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

Results second quarter 2016

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

Operating expenses during the second quarter amounted to NOK 32m (13m).

The higher operating expenses reflect the acquisition of Oncos as well as more activities in all areas of the business.

The net loss amounted to NOK 33m during the quarter (13m).

Results first half year 2016

Operating expenses amounted to NOK 63m (20m) during the period. In comparison, the sum of pro forma operating

³ Targovax have no ongoing trials in soft tissue sarcoma

expenses for the two constituent pre combination companies (Targovax AS and Oncos OY) amounted to NOK 29m in 1H 2015. The increase reflects the higher level of activity.

The net loss for the half year amounted to NOK 65m (20m).

Financial position and cash flow

Net cash at the end of the quarter amounted to NOK 107m, compared to NOK 141m three months previously and NOK 174m at the end of 2015.

Cash outflow during the quarter was primarily driven by operating activities, and net cash flow from operating activities during the period was negative by NOK 34m, compared to negative NOK 33m in the first quarter.

By the end of the period, Targovax' interest bearing debt amounted to NOK 38m, all from TEKES, the Finnish Funding Agency for Technology and Innovation.

In July 2016, Targovax raised NOK 110m in new equity, issuing 14,685,000 shares at NOK 7.50 per share. The transaction closed on 7 July 2016 and Targovax listed on Oslo Axess under the ticker TRVX. In August 2016, Targovax raised an additional NOK 4m in a subsequent repair offering.

Proceeds from the placement will be used to fund clinical studies and general corporate purposes.

SHARE INFORMATION

Targovax listed its shares publically on 8 July 2016 on Oslo Axess. After the private placement and the subsequent offering, there were 42,1m shares outstanding, distributed to approx. 250 shareholders. The 20 largest shareholders controlled some 80 percent of the shares. The estimated share ownership situation on 17

August 2016 (after the fund raising in July and August)⁴ was:

	Shareholder		Estimated ownership	
			Shares m	Relative
1	HealthCap	Sweden	11,2	26,5 %
2	RadForsk	Norway	4,1	9,7 %
3	Nordea	Norway	2,7	6,3 %
4	Datum Invest AS	Norway	2,5	5,8 %
5	Rasmussengruppen	Norway	2,1	5,0 %
6	KLP	Norway	2,1	4,9 %
7	Swedbank	Norway	1,4	3,3 %
8	Artic Funds	Norway	0,9	2,2 %
9	Statoil	Norway	0,8	2,0 %
10	Danske Bank (nom.)	Denmark	0,8	1,8 %
11	Timmuno AS	Norway	0,7	1,7 %
12	Prieta AS	Norway	0,7	1,7 %
13	Sundt AS	Norway	0,7	1,6 %
14	Nordnet Bank AB (nom.)	Sweden	0,6	1,5 %
15	Pohjola	Finland	0,6	1,4 %
16	Birk Venture AS	Norway	0,5	1,2 %
17	MP Pensjon PK	Norway	0,5	1,2 %
18	Elitek Holding AS	Norway	0,4	1,0 %
19	Storebrand Vekst	Norway	0,4	1,0 %
20	Pactum AS	Norway	0,4	0,9 %
Top 20			34,1	80,9 %
Total			42,1	

The closing price on 30 June 2016 was NOK 8.00 per share. The closing price on the first day of listing, 8 July, was NOK 7.90, corresponding to a market capitalization of NOK 328m.

SUBSEQUENT EVENTS

The following events with financial or accounting relevance took place after 30 June 2016:

- Targovax raised NOK 110m in a private placement transaction that concluded on 7 July
- Following the private placement, the company completed a subsequent offering, raising proceeds of NOK 4m, through a share issue of 0.5m shares at NOK 7.50 per share. Following the transaction, the total number of shares outstanding in Targovax amounted to 42.1m.

⁴ This is management's estimated real ownership based on VPS. For the VPS transcript, see notes 9 and 12

RISKS AND UNCERTAINTY FACTORS FOR THE SECOND HALF 2016

The company's business is exposed to a number of general operational and financial risks which have been explained in Targovax's annual report 2015 as well as in the recent prospectus, both available on www.targovax.com.

OUTLOOK

Targovax's focus during the next 12-18 months will be to start and progress the previously described trials with ONCOS-102 in melanoma and TG02 in colorectal cancer. In addition, the company will advance the ongoing trial of ONCOS-102 in mesothelioma and continue the follow-up phase of the TG01 trial in resected pancreatic cancer.

Furthermore, Targovax, together with its clinical trial collaborators Ludwig/CRI and Sotio are planning to start trials in various solid tumor indications.

Targovax is expecting a total of six separate data readouts during 2017, with the first readouts in the first half of 2017.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 30 June 2016 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, 24 August 2016

The Board of Directors of Targovax ASA

Jonas Einarsson
Chairman of the Board

Per Samuelsson
Board member

Bente-Lill Romøren
Board member

Lars Lund-Roland
Board member

Johan Christenson
Board member

Robert Burns
Board member

Eva-Lotta Allan
Board member

Diane Mellett
Board member

Gunnar Gårdemyr
Chief Executive Officer

Second quarter and first half year accounts 2016

Condensed consolidated statement of profit and loss

<i>(Amounts in NOK thousands except per share data)</i>	Note	Unaudited 2Q 2016	Unaudited 2Q 2015	Unaudited 1H 2016	Unaudited 1H 2015	2015
Other revenues		-	-	-	-	146
Total revenue						146
External R&D expenses	3,4	-11 679	-3 862	-22 497	-5 379	-25 231
Payroll and related expenses	5,11	-12 287	-3 712	-25 485	-6 687	-35 431
Other operating expenses		-8 473	-5 225	-15 433	-7 453	-29 100
Total operating expenses		-32 439	-12 800	-63 415	-19 520	-89 762
Operating profit/ loss (-)		-32 439	-12 800	-63 415	-19 520	-89 616
Financial income		174	171	455	382	2 339
Financial expenses	7	-1 174	-127	-2 009	-369	-2 608
Net financial items		-1 000	44	-1 554	12	-269
Loss before income tax		-33 439	-12 756	-64 969	-19 507	-89 885
Income tax expense		-12	-	62	-	-1 930
Loss for the period		-33 450	-12 756	-64 907	-19 507	-91 816
Earnings/ loss (-) per share						
Basic and dilutive earnings/ loss (-) per share	10	-1.24	-1.35	-2.41	-2.07	-5.06

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

<i>(Amounts in NOK thousands except per share data)</i>	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Income / loss (-) for the period	-33 450	-12 756	-64 907	-19 507	-91 816
Items that may be reclassified to profit or loss:					
Exchange differences arising from the translation of foreign operations	-3 333	-	-10 068	-	21 793
Total comprehensive income/ loss (-) for the period	-36 783	-12 756	-74 975	-19 507	-70 023
Total comprehensive income/ loss (-) for the period attributable to owners	-36 783	-12 756	-74 975	-19 507	-70 023

Condensed consolidated statement of financial position

<i>(Amounts in NOK thousands)</i>	Note	Unaudited 30.06.2016	Unaudited 30.06.2015	31.12.2015
ASSETS				
Intangible assets	6	346 211	-	358 070
Property, plant, and equipment		1 436	149	1 590
Total non-current assets		347 647	149	359 659
Receivables		17 124	8 918	11 557
Cash and cash equivalents		107 251	44 465	173 898
Total current assets		124 375	53 384	185 455
TOTAL ASSETS		472 022	53 532	545 114
EQUITY AND LIABILITIES				
Shareholders equity				
Share capital	9	2 691	943	2 688
Share premium reserve		522 484	97 792	522 502
Other reserves		15 973	2 237	6 957
Retained earnings		-195 974	-58 349	-131 067
Translation differences		11 725	-	21 793
Total equity		356 897	42 623	422 873
Non-current liabilities				
Interest-bearing liabilities	7	38 243	-	38 112
Deferred tax		56 688	-	58 709
Total non-current liabilities		94 931	-	96 821
Current liabilities				
Accounts payable and other current liabilities		3 588	3 588	6 307
Accrued public charges		2 413	1 218	1 826
Other short-term liabilities		14 192	6 103	17 287
Total current liabilities		20 194	10 909	25 420
TOTAL EQUITY AND LIABILITIES		472 022	53 532	545 114

Condensed consolidated statement of changes in equity

<i>(Amounts in NOK thousands)</i>	Note	Share capital	Share premium	Other reserves	Translation differences	Retained earnings (Accumulated losses)	Total equity
Balance at 1 January 2015		943	97 792	780	-	-38 841	60 673
Loss for the period						-19 507	-19 507
Total comprehensive income for the period						-19 507	-19 507
Recognition of share-based payments		-	-	1 458	-	-	1 458
Balance at 30 June 2015		943	97 792	2 237	-	-58 349	42 623
Loss for the period						-72 309	-72 309
Exchange differences arising from the translation of foreign operations		-	-	-	21 793	-	21 793
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	21 793	-72 309	-50 516
Issue of ordinary shares - Acquiring Oncos Therapeutics OY		943	234 792	-	-	-	235 735
Transaction costs - Oncos Therapeutics OY			-260	-	-	-	-260
Issue of ordinary shares - Capital increase - Private Placement		800	199 200	-	-	-	200 000
Transaction costs - Private Placement			-9 207	-	-	-	-9 207
Share issuance, employee share options		3	185	-	-	-	188
Reclassification of share-based payment Oncos Therapeutics OY		-	-	410	-	-410	-
Recognition of share-based payments	11	-	-	4 310	-	-	4 310
Balance at 31 December 2015		2 688	522 502	6 957	21 793	-131 067	422 873
Loss for the period						-64 907	-64 907
Exchange differences arising from the translation of foreign operations		-	-	-	-10 068	-	-10 068
Other comprehensive income/loss, net of tax		-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-10 068	-64 907	-74 975
Share issuance, employee share options		2	-18	-	-	-	-16
Recognition of share-based payments & RSU's	11	-	-	9 015	-	-	9 015
Balance at 30 June 2016		2 691	522 484	15 973	11 725	-195 974	356 897

Condensed consolidated statement of cash flow

<i>(Amounts in NOK thousands)</i>	Note	Unaudited Q2 2016	Unaudited Q2 2015	Unaudited 1H 2016	Unaudited 1H 2015	FY 2015
Cash flow from operating activities						
Loss before income tax		-33 439	-12 756	-64 969	-19 507	-89 885
<i>Adjustments for:</i>						
Finance income		-174	-171	-455	-382	-2 339
Finance expense		1 174	127	2 009	369	2 608
Share option expense	11	4 471	856	9 015	1 458	5 717
Depreciation		73	10	142	18	148
Change in receivables		-1 783	-2 588	-5 567	-4 258	-3 026
Change in other current liabilities		-3 923	4 813	-6 736	4 234	5 887
Net cash flow from/(used in) operating activities		-33 602	-9 710	-66 560	-18 069	-80 890
Cash flow from investing activities						
Purchases of property, plant, and equipment (PPE)		-	-17	-19	-17	-158
Acquisition of subsidiary, net of cash acquired						1 313
Net cash received from/(paid in) investing activities		-	-17	-19	-17	1 155
Cash flow from financing activities						
Interest received		-	5	-	2	1 009
Interest paid	7	-15	-4	-228	-4	-526
Other finance expense		-93	-	-93	-	-
Share issue expense - Acquisition of Oncos OY		-	-	-	-	-260
Share issue expense - Private Placement		-	-	-	-	-9 207
Proceeds from issuance of shares -Private Placement		-	-	-	-	200 000
Proceeds from exercise of options		-16	-	-16	-	188
Net cash generated from financing activities		-124	1	-338	-2	191 204
Net increase/(decrease) in cash and cash equivalents		-33 726	-9 726	-66 917	-18 087	111 468
Net exchange gain/loss on cash and cash equivalents		92	-	270	-	-123
Cash and cash equivalents at beginning of period		140 885	54 191	173 898	62 552	62 552
Cash and cash equivalents at end of period		107 251	44 465	107 251	44 465	173 898

Notes

1. General information

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

The Group is targeting complementary approaches to cancer immunotherapy: A cancer vaccine platform developed for patients with RAS-mutated cancers and an immunotherapy platform based on engineered oncolytic viruses armed with potent immune-stimulating transgenes for patients with solid tumors. Both treatment approaches harness the patient's own immune system to fight the cancer.

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

The condensed interim financial information are unaudited. These financial statements were approved for issue by the Board of Directors on 24 August, 2016.

2. Accounting principles

The interim condensed consolidated financial statements for the Group are prepared using the same accounting principles and calculation methods as used for the statutory, annual financial statements 2015 for Targovax ASA.

The accounting principles used have been consistently applied in all periods presented, unless otherwise stated.

Amounts are in thousand Norwegian kroner unless stated otherwise. The functional currency of the Group is NOK (Norwegian kroner).

2.1 Basis of preparation

The quarterly financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU.

2.2 Standards and interpretations in issue but not yet adopted

At the date of authorization of these quarterly financial statements, there are no Standards or Interpretation that have been issued where the Management considers any material impact.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2016. The subsidiaries include Targovax OY, located at Helsinki, Finland and Oncos Therapeutics AG, Meggen, Switzerland, all 100% owned and controlled subsidiaries. Targovax OY is the parent company of Oncos Therapeutics AG.

2.4 Going concern

As a result of the private placement and the subsequent offering in the third quarter 2016 and the current liquidity situation, Targovax's Directors expect that the Group has available financial resources sufficient for all planned activities, notably six clinical trials, in the next twelve months as of 24 August 2016. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

3. Research and development expenses

The Group is developing new products. Uncertainties related to the regulatory approval process and results from ongoing clinical trials, generally indicate that the criteria for asset recognition is not met until the time when marketing authorization is obtained from relevant regulatory authorities.

The following research and development expenditures have been expensed:

(Amounts in NOK thousands)	2Q 2016		2Q 2015		1H 2016		1H 2015		2015	
	Total	R&D	Total	R&D	Total	R&D	Total	R&D	Total	R&D
External R&D expenses	11 679	11 679	3 862	3 862	22 497	22 497	5 379	5 379	25 231	25 231
Payroll and related expenses	12 287	6 654	3 712	1 510	25 485	11 977	6 687	2 720	35 431	13 497
Other operating expenses	8 473	444	5 225	93	15 433	600	7 453	207	29 100	384
Total	32 439	18 777	12 800	5 465	63 415	35 074	19 520	8 306	89 762	39 111

4. Government grants

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

(Amounts in NOK thousands)	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
External R&D expenses	1 883	3 570	4 605	4 563	6 891
Payroll and related expenses	446	951	1 270	1 983	2 225
Other operating expenses	31	-	37	-	-
Total	2 360	4 521	5 912	6 546	9 115

For the period 2013 through 2016, the Group has been awarded a grant from The Research Council (program for user-managed innovation arena (BIA)) of NOK 12.4m in total. For the first half and second quarter 2016, the Group has recognized NOK 2.1m and NOK 0.5m as cost reduction in External R&D expenses, Payroll and related expenses and Other Operating expenses.

R&D projects have been approved for SkatteFunn for the period 2011 through 2016. For the first half and second quarter 2016, the Group has recognized NOK 3.9m and NOK 1.8m as cost reduction in External R&D expenses, Payroll and related expenses and Other Operating expenses.

5. Payroll and related expenses

Total payroll and related expenses for the Group are:

(Amounts in NOK thousands)	2Q 2016	2Q 2015	1H 2016	1H 2015	2015
Salaries and bonus	6 905	3 010	14 253	5 825	26 154
Employer's national insurance contributions	825	432	1 705	783	3 278
Share-based compensation ¹	4 471	856	9 015	1 458	5 875
Pension expenses – defined contribution plan	472	147	1 228	267	1 723
Other	60	218	554	339	626
Governmental grants	-446	-951	-1 270	-1 983	-2 225
Total payroll and related expenses	12 287	3 712	25 485	6 687	35 431
1) Share-based compensation has no cash effect.					

Number of employees calculated on a full-time basis as at end of period	26.7	9.5	26.7	9.5	26.5
Number of employees as at end of period	27	10	27	10	27

6. Intangible assets

Recognized intangible assets in the Group amounts to NOK 346m as of 30 June 2016. This is a decrease, as of 31 December 2015, from NOK 358m due to NOK/EUR foreign exchange fluctuations. The intangible assets are derived from the acquisition of Oncos Therapeutics OY, which was completed in July 2015.

The intangible assets are related to the development of ONCOS-102, which is a virus-based immunotherapy platform.

Intangible assets are tested for impairment at least annually, or when there are indications of impairment.

As per 30 June, the market value of the Company, according to shares traded on the NOTC, was 215m, which is 142m less than book value of equity. However, the impairment test assessed as at 30 June, based on the same key assumptions as the impairment test as at 31 December 2015, indicated that the value of the intangible assets was NOK 368m which exceeds the book value with NOK 11m. Hence, no need for impairment of the intangible assets as at 30 June. See note 16 in the Annual Report 2015 for more information about the impairment test.

7. Interest bearing debt (TEKES)

The Group has received three R&D loans, for the commercialization of ONCOS-102, from TEKES under loan agreements dated September 2010, January 2012 and December 2013, respectively, in the total outstanding amount of EUR 5 842 312 as of 30 June 2016.

TEKES is a publicly financed funding agency that finances research and development activities for young innovative companies in Finland. No new TEKES loans have been issued during the first half 2016. Consequently, no grant element is recognized. Amortized interests are charged to financial expenses amounting to NOK 1.4m during the first half of 2016 and NOK 0.7m during second quarter of 2016.

See note 22 in the Annual Report 2015 for more information about the TEKES loans.

8. Fair value of financial instruments

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

(Amounts in NOK thousands)	1H 2016		1H 2015		FY 2015	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Receivables	17 124	17 124	8 918	8 918	11 557	11 557
Cash and cash equivalents	107 251	107 251	44 465	44 465	173 898	173 898
Total financial assets	124 375	124 375	53 384	53 384	185 455	185 455
Interest-bearing borrowings	38 243	38 243	-	-	38 112	38 112
Deferred tax	56 688	56 688	-	-	58 709	58 709
Accounts payable and other current liabilities	3 588	3 588	3 588	3 588	6 307	6 307
Accrued public charges	2 413	2 413	1 218	1 218	1 826	1 826
Other short-term liabilities	14 192	14 192	6 103	6 103	17 287	17 287
Total financial liabilities	115 125	115 125	10 909	10 909	122 241	122 241

The tables below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: Inputs other than quoted prices including Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: Inputs in asset or liability that are not based on observable market data (that is, unobservable inputs)

As at 30 June 2016:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	38 243	38 243
Total financial instruments at fair value	-	-	38 243	38 243

As at 31 December 2015:

(Amounts in NOK thousands)	Level 1	Level 2	Level 3	Total
Interest-bearing borrowings	-	-	38 112	38 112
Total financial instruments at fair value	-	-	38 112	38 112

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

9. Share capital and number of shares

Share capital as at 30 June 2016 is 2 690 537 (30 June 2015: 942 940) comprising 26 905 367 ordinary shares at nominal value NOK 0.10 (30 June 2015: 9 429 404 at NOK 0.10). All shares carry equal voting rights.

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

	Q2 2016	Q2 2015	6M2016	6M2015	FY 2015
Ordinary shares at beginning of period	26 883 808	9 429 404	26 883 808	9 429 404	9 429 404
Share issuance - private placement	0	0	0	0	8 000 000
Aquisition of Oncos Therapeutics OY	0	0	0	0	9 429 404
Share issuance, employee share options	21 559	0	21 559	0	25 000
Ordinary shares at end of period	26 905 367	9 429 404	26 905 367	9 429 404	26 883 808

The 20 largest shareholders are as follows at 30 June 2016:

Shareholder	# shares	%
HealthCap	8 362 736	31.1 %
Radiumhospitalets Forskningsstiftelse	3 410 589	12.7 %
Trojan AS	2 462 000	9.2 %
Arctic Funds PLC	907 000	3.4 %
Timmuno AS	724 650	2.7 %
Prieta AS	720 000	2.7 %
Portia AS	599 561	2.2 %
Danske Bank A/S	587 971	2.2 %
Nordnet Bank AB	569 022	2.1 %
KLP Aksje Norge VPF	460 000	1.7 %
Eltek Holding AS	442 000	1.6 %
Statoil Pensjon	433 716	1.6 %
Storebrand Vekst	426 000	1.6 %
Pactum AS	400 000	1.5 %
Birk Venture AS	378 980	1.4 %
Op-Europe Equity Fund	357 869	1.3 %
Tobech Invest AS	286 449	1.1 %
Viola AS	280 000	1.0 %
Kommunal Landspensjonskasse	270 000	1.0 %
Verdipapirfondet DNB Grønt NORDEN	250 919	0.9 %
20 largest shareholders	22 329 462	83.0 %
Other shareholders (193)	4 575 905	17.0 %
Total shareholders	26 905 367	100.0 %

HealthCap, Radiumhospitalets Forskningsstiftelse, Timmuno AS and Prieta AS have entered into lock-up agreements for their shares for the period until the earliest of:

(1) completion of an initial public offering

(2) the day falling 12 months after the completion of the private placement 9 July 2015

Shareholdings Key management

The following table provides the total number of shares owned by the key management of the Group and member of the Board of Directors as of 30 June 2016:

Name	Position	No. of shares outstanding at 30 June 2016
Key management:		
Gunnar Gårdemyr	Chief Executive Officer	20 000
Magnus Jäderberg	Chief Medical Officer	20 000
Jon Amund Eriksen	Chief Operating Officer	724 650 ¹⁾
Øystein Soug	Chief Financial Officer	26 600 ²⁾
Anne-Kirsti Aksnes	VP, Clinical Development	4 000
Tina Madsen	VP, Quality Assurance	800
Peter Skorpil	VP, Business Development	4 000
Antti Vuolanto	Executive VP	61 773
Total no. of shares owned by key management of the Group		861 823
Board of directors:		
Robert Burns	Board member	29 063
Total no. of shares owned by the Board of Directors of the Group		29 063

1 The shares are held through Timmuno AS

2 The shares are held through Abakus Invest AS

Jonas Einarsson, Chairman of the Board of Directors, is CEO in the Radium Hospital Research Foundation
Johan Christenson and Per Samuelsson, both Member of the Board, are partners at HealthCap

Please see “Note 12 Subsequent events” for updated share capital, number of shares, 20 largest shareholders and shareholdings for key management per 23 August after the completion of private placement and subsequent offering in third quarter 2016.

10. Earnings per share

Amounts in NOK thousand	Q2 2016	Q2 2015	1H2016	1H2015	FY 2015
Loss for the period	-33 450	-12 756	-64 907	-19 507	-91 816
Average number of outstanding shares during the period	26 895	9 429	26 895	9 429	18 150
Earnings/ loss per share - basic and diluted	-1.24	-1.35	-2.41	-2.07	-5.06

Share options issued have a potential dilutive effect on earnings per share. No dilutive effect has been recognized as potential ordinary shares only shall be treated as dilutive if their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the Group is currently loss-making an increase in the average number of shares would have anti-dilutive effects.

11. Share based payment

At the Extraordinary General Meeting in September 2015 the Board was authorized to increase the Group's share capital in connection with share incentive arrangements by up to 10% of the Share capital. The authorization was renewed at the Ordinary general meeting in April 2016.

The Group operates an equity-settled, share-based compensation plan, under which the entity receives

services from employees as consideration for equity instruments (options) in Targovax ASA.

Each share option converts into one ordinary share of the Company on exercise. Options may be exercised at any time from the date of vesting until expiry. The options generally vest over a period of four years and expire seven years after the grant date. In general, the exercise price of the options is set at the fair value of the shares at grant date.

During the first half of 2016, additional 75 000 share options were granted to other employees, 21 559 were exercised and 136 067 were forfeited. A total of 2 463 263 options were outstanding at 30 June 2016.

The fair value of the options has been calculated at grant date. The fair value of the options was calculated using the Black-Scholes model. The expected volatility for options issued in first half 2016 is estimated at average of 83%, based on the volatility of comparable listed companies. The volume weighted average interest rate applied to the share options grants in first half 2016 is 0.67%.

	1H 2016		FY 2015	
	No. of options	Weighted avg. exercise price (in NOK)	No. of options	Weighted avg. exercise price (in NOK)
Outstanding at 1 January	2 545 889	23.25	100 000	7.50
Granted during the period	75 000	14.20	2 090 062	24.09
Exercised during the period	-21 559	0.51	-25 000	7.50
Conversion of Oncos option program 2/7-2015	-	-	380 827	21.77
Forfeited	-136 067	19.61	-	-
Outstanding no. of options at end of period	2 463 263	23.38	2 545 889	23.25

The following table shows the outstanding and granted options for shares to Key Management of the Group at 30 June 2016:

Name	Position	Options	
		Granted 1H 2016	Outstanding 30.06.2016
Key management:			
Gunnar Gårdemyr	Chief Executive Officer	-	500 000
Magnus Jäderberg	Chief Medical Officer	-	390 000
Jon Amund Eriksen	Chief Operating Officer	-	160 000
Øystein Soug	Chief Financial Officer	-	390 000
Antti Vuolanto	Executive VP	-	170 742
Anne Kirsti Aksnes	VP, Clinical Development	-	53 000
Tina Madsen	VP, Quality Assurance	-	53 000
Peter Skorpil	VP, Business Development	-	45 000
Total option for shares to key management of the Group		-	1 761 742
Board of directors:			
Robert Burns	Board member	-	21 235
Total option for shares to the Board of Directors of the Group		-	21 235

No share options have been granted to Key Management from 30 June to 25 August 2016.

Restricted Stock Units

The ordinary general meeting 13 April 2016 decided to remunerate the Board of directors with a combination of cash and Restricted Stock Units (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 for the Targovax ASA share. The market price is calculated as volume weighted average share price the 10 trading days prior to the grant date, NOK 12.20 for the grant at 13 April 2016.

The board members must elect to either (i) receive 100% of the compensation in RSUs, (ii) receive 1/3 of the compensation in cash and 2/3 in RSUs, or (iii) receive 2/3 of the compensation in cash and 1/3 in RSUs. The total compensation to each member of the board of directors for both the period 2015-2016 and 2016-2017 have been set out in the minutes from the ordinary general meeting.

A total of 129 991 RSUs have thus been granted. The RSUs granted for the period 2015 – 2016 vested on 13 April 2016, while the RSUs granted for the period 2016- 2017 will vest on 13 April 2017.

The following table shows the outstanding and granted RSU's to Board of Directors of the Group at 30 June 2016:

Name	Position	RSUs	
		Granted 1H 2016	Outstanding 30.06.2016
Key management:			
Bente-Lill Romøren	Board member	10 929	10 929
Diane Mellett	Board member	34 098	34 098
Eva-Lotta Allan	Board member	23 169	23 169
Lars Lund-Roland	Board member	20 811	20 811
Robert Burns	Board member	40 984	40 984
Total Restricted Stock Units to Board of Directors of the Group		129 991	129 991

12. Subsequent events

Targovax raised NOK 110m in a private placement in third quarter 2016 . The transaction was approved by the General Assembly on 6 July and Targovax was listed on Oslo Axess under the ticker TRVX at 8 July.

Following the private placement, the company completed a subsequent offering, raising proceeds of NOK 4m, through a share issue of 543 643 shares at NOK 7.50 per share. Following the private placement and the subsequent offering, the total share capital of Targovax is NOK 4 213 400.10 divided into 42 134 001 shares each with a nominal value of NOK 0.10.

Changes in shareholders subsequent to June 30 2016

After the private placement and the subsequent offering in third quarter 2016, the 20 largest shareholders are as follows at 23 August 2016:

Shareholder	# shares	%
Handelsbanken Stockh C/O Handelsbanken AS	11 155 584	26,48 %
Radiumhospitalets Forskningsstiftelse	4 077 255	9,68 %
Datum Invest AS	2 462 000	5,84 %
VPF Nordea Avkastning C/O JPMorgan Europe	1 295 421	3,07 %
Verdipapirfondet KLP	1 260 000	2,99 %
VPF Nordea Kapital C/O JPMorgan Europe	1 162 289	2,76 %
Cipi Lamp Ucits Swed	995 000	2,36 %
Portia AS	950 000	2,25 %
Arctic Funds PLC BNY Mellon SA/NV	907 000	2,15 %
Kommunal Landspensjon	803 333	1,91 %
Timmuno AS	724 650	1,72 %
Prieta AS	720 000	1,71 %
Statoil Pensjon C/O JM Morgan Chase	668 916	1,59 %
Sundt AS	666 666	1,58 %
Cressida AB	650 000	1,54 %
Nordnet Bank AB	632 001	1,50 %
OP-Europe Equity Fun C/O Citibank NA	607 869	1,44 %
Danske Bank A/S 3887 Operations Sec.	589 428	1,40 %
Birk Venture AS	512 313	1,22 %
MP Pensjon PK	500 000	1,19 %
20 largest shareholders	31 339 725	74,38 %
Other shareholders (342)	10 794 276	25,62 %
Total shareholders	42 134 001	100 %

Shareholdings Key management

The following table provides the total number of shares held by persons in the management group and member of the Board of Directors as of 23 August 2016:

Name	Position	No. of shares outstanding at 23 August 2016
Key management:		
Gunnar Gårdemyr	Chief Executive Officer	40 000
Magnus Jäderberg	Chief Medical Officer	20 000
Jon Amund Eriksen	Chief Operating Officer	724 650 ¹⁾
Øystein Soug	Chief Financial Officer	100 000 ²⁾
Anne-Kirsti Aksnes	VP, Clinical Development	12 000
Tina Madsen	VP, Quality Assurance	4 800
Peter Skorpil	VP, Business Development	10 000
Antti Vuolanto	Executive VP	61 773
Total no. of shares owned by key management of the Group		973 223
Board of directors:		
Robert Burns	Board member	34 063
Total no. of shares owned by the Board of Directors of the Group		34 063

1 The shares are held through Timmuno AS

2 The shares are held through Abakus Invest AS

Jonas Einarsson, Chairman of the Board of Directors, is CEO in the Radium Hospital Research Foundation
Johan Christenson and Per Samuelsson, both Member of the Board, are partners at HealthCap