transgene

REFERENCE DOCUMENT **2014**

including the Annual Financial Report

IMMUNNOTHERAPY FOR CANCER AND INFECTIOUS DISEASES

CONTENTS

REFERENCE DOCUMENT 2014

Transgene is a biopharmaceutical company that designs, develops and produces immunotherapy products to fight cancer and infectious diseases.

These products use viral vectors to directly or indirectly destroy diseased cells.

Transgene has two main products in clinical development: TG4010 for non-small cell lung cancer and Pexa-Vec for liver cancer. The Company also has several other programs based on its viral vector technology in research or in pre-clinical or clinical development.

Transgene is based in Strasbourg and has operations in Lyon, China and the United States.

Listed on the stock exchange (Euronext: TNG), Transgene is part of Institut Mérieux

www.transgene.fr

Pursuant to Article 28 of European Commission Regulation No. 809/2004/EC, this Reference Document includes the 2012 consolidated financial statements and related audit report as found on pages 79 to 107 of the 2012 Reference Document filed with the AMF on April 9, 2013 under No. D.13-0315, as well as the 2013 consolidated financial statements and related audit report as found on pages 83 to 112 of the 2013 Reference Document filed with the AMF on April 17, 2014 under no. D.14-0381.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The 2014 Reference Document was filed with the Autorité des Marchés Financiers (AMF) on April 28, 2015, in accordance with Article 212-13 of its General Regulation. It may be used in connection with a financial transaction if it is backed by an Issue Note approved by the AMF. This document was prepared by the issuer and its signatories are responsible for its content.

CHAIRMAN'S MESSAGE

PHILIPPE ARCHINARD

2014 was a year of sharp contrasts for Transgene.

We increased our equity through a transaction that raised €65.5 million and accumulated important data for our products under development, but, sadly, Novartis decided not to exercise its option to license TG4010. Although we have not signed a new agreement for this product, we are pursuing efforts to that end. We are making further progress in the development of our pre-clinical and clinical product portfolio, focusing special attention on our two most advanced products, TG4010 and Pexa-Vec.

We have decided to push ahead with preparations for the launch of the phase 3 part of the TIME trial with TG4010 for non-small cell lung cancer while continuing our search for a partner, a key step for our commitment. During the year, we announced the results of the phase 2 part of this trial. At the ESMO Congress that took place at the end of September 2014, we were able to announce promising new results in terms of progression-free survival and the overall survival of patients suffering from non-squamous lung cancers, *i.e.*, the large majority of patients suffering from this disease. As announced on March 24, 2015, these are the patients who will be targeted in phase 3, which is set to start once we have found the appropriate partnership. We are also actively working on the preparation of phase 2 trials with TG4010 in combination with new treatments using immune checkpoint inhibitors (or blockers). We are also very

> ...an extensive clinical and pre-clinical portfolio, considerable know-how, as well as scientific, medical and regulatory capabilities... clinical and pre-clinical assets that we will capitalize on in 2015

busy with regulatory preparations for another phase 3 trial, this time for Pexa-Vec, an oncolytic virus for which Transgene holds co-development and commercial licensing rights in Europe and in the Commonwealth of Independent States. The acquisition of Jennerex, Inc., owner of Pexa-Vec, by the Korean company SillaJen, Inc. was finalized in March 2014. Following this event, the global partners for the development of Pexa-Vec alongside Transgene – SillaJen, Inc. and Lee's Pharmaceuticals – confirmed their clinical development plan for this product, *i.e.*, the launch of phase 3 trial in the first-line treatment of advanced liver cancer. Moreover, Transgene will launch several other exploratory studies for different cancers using Pexa-Vec in combination with other treatments, including immune checkpoint inhibitors.

Our portfolio of products in pre-clinical development also progressed in 2014. We obtained highly promising pre-clinical results with TG6002, an oncolytic immunotherapy product for the treatment of solid tumors, designed and developed in-house by Transgene teams. It should enter the clinic in 2016. Likewise, the pre-clinical data obtained with TG1050, an immunotherapy product targeting chronic hepatitis B, in a highly relevant pre-clinical model is truly remarkable. TG1050 has since gone into clinical development and the recruitment of the first patient is planned for mid-2015.

In addition to the activities aimed at supporting our products in the clinic, our R&D team is seeking to design and characterize our next-generation immunotherapies and conducting major pre-clinical research to evaluate our products in combination with immune checkpoint inhibitors. Results from this work should provide important newsflow.

We have an extensive clinical and pre-clinical portfolio, considerable know-how, as well as scientific, medical and regulatory capabilities. In 2015, we will strive to capitalize on our clinical and pre-clinical assets.

Thank you for your interest in our Company and your trust.

Kind regards,

PHILIPPE ARCHINARD
Chairman & Chief Executive Officer

CHAIRMAN'S MESSAGE

1

PRESENTATION OF TRANSGENE AND ITS ACTIVITIES

1.1 SELECTED FINANCIAL DATA

(in € thousands, except for shares and per share data) **(Consolidated financial statements, IAS/IFRS)**	December 31		
	2014 IAS/IFRS	2013 IAS/IFRS	2012 IAS/IFRS
INCOME STATEMENT DATA			
Operating income	**11,752**	**15,735**	**13,061**
Research and development expenses	(49,824)	(50,063)	(48,679)
General and administrative expenses	(7,578)	(6,769)	(6,610)
Other income and expenses	(1,282)	(101)	93
Net operating expenses	**58,684**	**(56,933)**	**(55,196)**
Operating income	**(46,932)**	**(41,198)**	**(42,135)**
Interest income (expense), net	(801)	(730)	(585)
Income from equity affiliates	(824)	(930)	(474)
Tax on profits	-	-	-
Net loss	**(48,556)**	**(42,858)**	**(43,193)**
Net income/(loss) per share – basic and diluted	(1.26)	(1.34)	(1.36)
Average number of shares outstanding	38,527,968	31,874,858	31,762,134
Cash, cash equivalents and other current financial assets	65,935	47,862	92,915
Total assets	140,953	125,850	160,464
Equity	71,839	56,622	98,220
Net cash flow generated by (used in) operations	(54,236)	(50,185)	(49,925)

1.2 PRESENTATION OF THE COMPANY AND NEW DEVELOPMENTS

1.2.1 Overview of operations

Transgene was founded in 1979 to apply emerging techniques in genetic engineering in the context of contract research for industrial groups in the fields of molecular and cellular biology, virology, immunology and protein chemistry. In the 1990s, the Company changed its business model to become a biopharmaceutical company that designs and develops its own products in the field of oncology and infectious diseases, up to the stage of advanced clinical trials, and seeks out partnerships for the subsequent phases and marketing.

The Company was listed on the Paris Bourse and on the NASDAQ in 1998. It voluntarily delisted from the NASDAQ in September 2005.

The Company's activities are focused on human health and, in particular, research and development of immunotherapy products including therapeutic vaccines and oncolytic viruses in the fields of cancer and infectious diseases.

In March 2010, Transgene signed an agreement with the Swiss group Novartis for an exclusive license option for the development and commercialization of the Company's targeted immunotherapy product TG4010 for the first-line treatment of non-small cell lung cancer; in April 2014, Novartis informed the Company of its decision not to exercise this option. The search for a new partner for this product is ongoing.

In September 2010, the Company rounded off its own portfolio of oncolytic viruses by acquiring from the US company Jennerex, Inc. certain rights for the development and commercialization of Pexa-Vec, an oncolytic virus being developed for the treatment of solid tumors.

Jennerex, Inc., which specializes in the development of this type of product, was fully acquired in March 2014 by SillaJen, Inc., to which all contractual rights and obligations of Jennerex, Inc. have been transferred. (see Section 1.4.2).

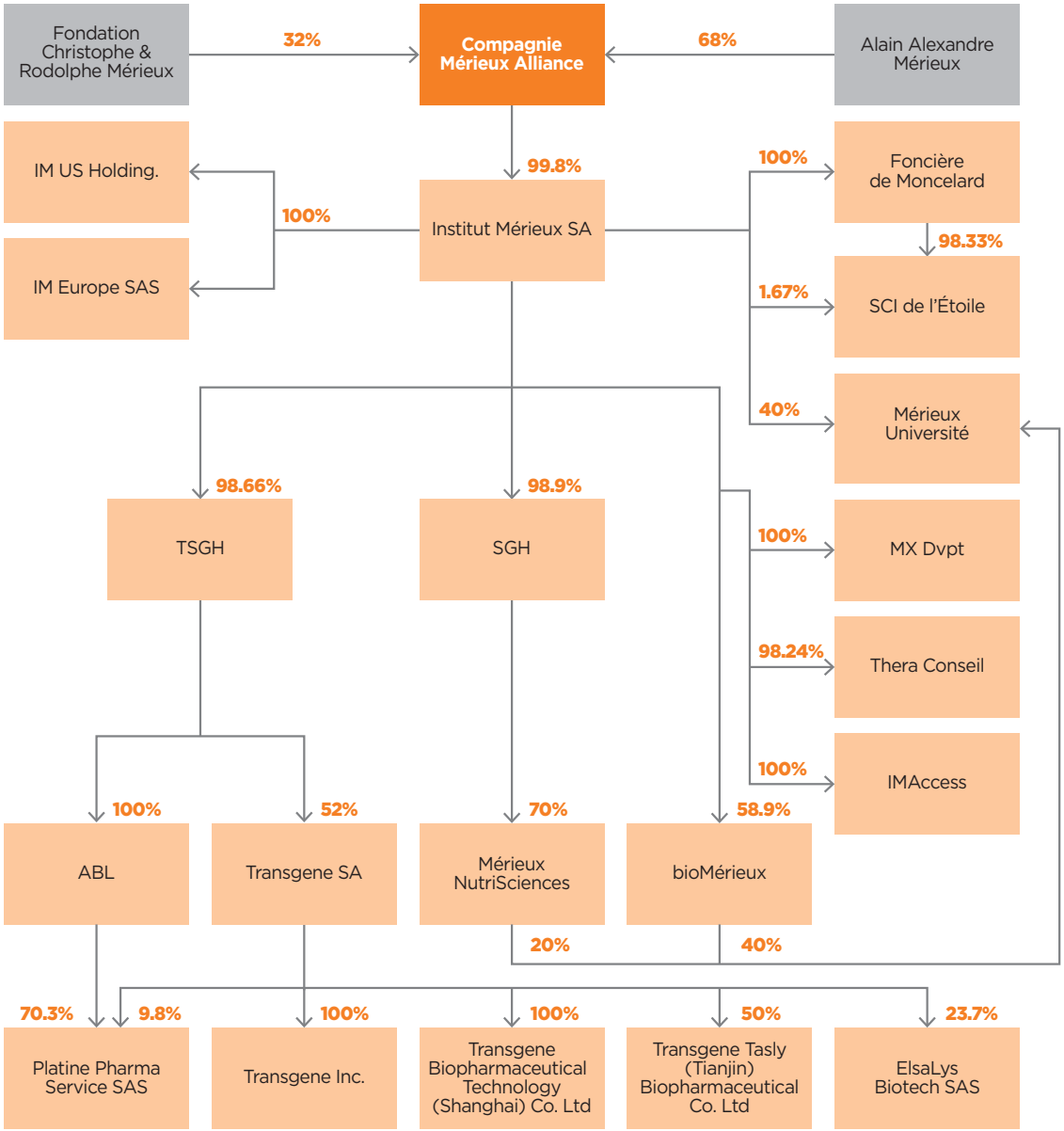
The Company is now fully engaged in the design of immunotherapy products and their development in combination with today's standard treatments, as well as future treatments such as immune checkpoint inhibitors. The Company intends to maximize partnership opportunities at all stages of the development of its products. The pursuit of advanced developments within the Company is dependent on its capacity to generate new agreements with other products or for its know-how. Having secured its capacity to manufacture its products on a commercial scale through a partnership with Sanofi-Genzyme, the Company can now focus on its core trade, *i.e.*, research and clinical development.

1.2.2 Organizational chart

1.2.2.1 Ownership by Institut Mérieux

Transgene is 52% owned by TSGH, a financial holding company, which in turn is 98.66% owned by Institut Mérieux (formerly Mérieux Alliance), itself 99.8% owned by Compagnie Mérieux Alliance, which is 68% owned by the Mérieux family and 32% owned by Fondation Christophe and Rodolphe Mérieux. Philippe Archinard, Chairman and CEO of Transgene, is also Chief Executive Officer of TSGH, in which he holds a 1.34% stake, and a director of ABL, Inc. a TSGH subsidiary, and bioMérieux SA, a subsidiary of Institut Mérieux.

Within this Group, Mérieux NutriSciences has a services business in food safety and health, while bioMérieux operates in clinical diagnostics, and Transgene is focused on immunotherapy research and development.



1.2.2.2 Subsidiaries and investments

Transgene, Inc.

The Company has a subsidiary in the United States (Transgene, Inc.), based in Cambridge, Massachusetts, in which it holds 100% of its capital and voting rights. This subsidiary represents Transgene SA before various organizations, regulatory authorities and study centers for its clinical trials in the United States. In this context, it comes under the operational control of Transgene SA, charges its costs to Transgene SA and has no significant assets. Philippe Archinard, Chairman & Chief Executive Officer of Transgene and Jean-Philippe Del, Vice President, Finance, are directors of Transgene Inc.

Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd.

Transgene also has a subsidiary in China (Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd.), based in Shanghai, in which it holds 100% of the capital and voting rights. This company was established in 2012 to accommodate academic research collaborations conducted by Transgene in China. In this context, it comes under the operational control of Transgene SA and has no significant assets. Philippe Archinard and Xia Meng, Chief Executive Officer of Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd., are directors of this company. Jean-Philippe Del is its supervisor.

The Company also holds equity interests in Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. (50% of the capital), Platine Pharma Services SAS (9.87% of the capital) and ElsaLys Biotech SAS (23.7% of the capital).

Transgene Tasly (Tianjin) Biopharmaceutical Co. Ltd.

Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. is a Chinese company created in 2010 to develop and ultimately sell biotechnology products, including Transgene products, in China. This company is jointly owned with the Tasly pharmaceutical group, based in Tianjin, China. Philippe Archinard and Thibault du Fayet are directors of Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. Jean-Philippe Del is its supervisor.

Platine Pharma Services SAS

Founded in March 2011, Platine Pharma Services SAS brought together the immuno-monitoring activities (measurement of the immune response to the injection of immunotherapy products) of Innate Pharma SA and Transgene. In 2013, Platine Pharma Services SAS acquired, via a partial asset contribution, the immuno-monitoring operations of Indicia Biotechnology SA. In July 2014, the three principal shareholders of Platine Pharma Services (Transgene, Innate Pharma and Indicia Biotechnology, each with a 33.26% stake) continued their divestment from the Company following a capital increase subscribed by ABL, Inc. and additional sales of shares to ABL, Inc. by the three shareholders, thus decreasing their stakes to 9.87% each. Transgene still has a seat on the Company's Board of Directors, where it is represented by Éric Quéméneur.

Elsalys Biotech SAS

On May 17, 2013, Transgene acquired a stake of around 37% in the capital of ElsaLys Biotech SAS. ElsaLys Biotech SAS was founded by former Transgene managers, alongside the Sofimac Partners investment fund, to develop monoclonal antibodies, a field of research still at a very early stage that Transgene did not wish to pursue at the moment, given its commitment to the development of viral vectors. As of December 31, 2014, Transgene's stake in ElsaLys Biotech was reduced to 23.7%, following a capital increase reserved for the Sofimac-Partners fund and another reserved for a private investor. Transgene is represented on the Board of Directors by Éric Quéméneur.

1.2.3 Property, plant and equipment

The Company has a main site and a secondary site.

The main site is the registered headquarters located in the Illkirch innovation park, in the suburbs of Strasbourg, with three buildings and a vacant lot of land:

- the first building, which has a surface area of around 6,800 m², houses the registered headquarters, research activities, process development, quality control and clinical development. This building, which was completed in 2008, is held under a financial lease that was still in effect on the date of this Reference Document;
- the second building, with a surface area of around 1,500 m², is dedicated to the production of clinical batches; this building, which was completed in 1995, has been fully owned since October 2009;
- the third building, attached to the production building, has a surface area of around 770 m². It is a logistics annex containing offices and storage space; this building, which was completed in 2012, is fully owned;
- the vacant lot, with a surface area of around 9,000 m², is adjacent to the main building; it was acquired in December 2014 through the exercise of a five-year option which was about to lapse. This acquisition gives the Company the possibility of extending its premises on a single site of contiguous lots.

The secondary site consists of around 300 m², housing laboratories and offices within the Lyon Gerland Center for Infectious Diseases. This site is leased.

The Company owns most of the equipment used in its R&D and production activities. It will not be the owner of the viral vector commercial production facility currently under construction in Lyon, at Genzyme (Sanofi), which it partly finances and will be able to use for the production of its immunotherapy products, in particular TG4010, under a services contract (see Section 1.4.2).

1.3 DESCRIPTION OF ACTIVITIES

1.3.1 Principal markets and competitors

At the date of this Reference Document, no Transgene product had yet reached the marketing stage.

1.3.1.1 Cancer

Cancer treatments

At the moment, surgery and radiotherapy are considered as the best curative treatments for most cancers. Once a cancer has metastasized, the patient's chances of recovery diminish. Chemotherapy and hormonal therapy play an important role in the arsenal of cancer treatments. Over the past 15 years, these treatments have been enhanced with targeted treatments such as small molecule inhibitors and monoclonal antibodies.

Transgene's approaches to the development of cancer treatments are based on the stimulation of the immune system to induce it to reject tumors (TG4010, TG4001 therapeutic vaccines and specific oncolytic viruses such as Pexa-Vec and TG6002).

The immune system is the human body's natural defense against foreign molecules (known as antigens). The immune system, which is regulated by various proteins called cytokines, attacks the foreign antigen in two ways: the humoral immune response and/or the cellular immune response. The humoral response generates proteins called antibodies that act against the antigens. The cellular response uses specialized cells called cytotoxic T lymphocytes (CTLs) to eliminate infected or cancerous cells. The products being developed by Transgene seek to stimulate the patient's generation of antibodies and CTLs to attack cancerous cells.

In particular, Transgene has opted for therapies that induce a specific response against one or more tumor antigens (active immunotherapy). Active immunotherapy is used in cases where the tumor antigen is well-known and present in many patients. The encoding gene for this antigen is incorporated in the vector and induces an immune response that is both humoral and cellular against the antigen throughout the body. The therapeutic vaccine, composed of the vector and the gene, may be administered subcutaneously to elicit a systemic reaction against the foreign antigen.

The oncolytic virus approach consists of administering a virus (in this case, the vaccinia virus) that will attack the tumor from three angles: it will selectively replicate itself in the tumor cells and induce their destruction (cell lysis); it will also deprive the tumor of its blood supply (blockage of blood supply); and, finally, it will stimulate the immune system (active immunotherapy).

Cancer (in particular digestive, bronchopulmonary and gynecological cancer) are, as cardiovascular disease, are the leading cause of mortality in developed countries. Epidemiological developments are similar in developing countries, especially in countries "in transition" or middle-income countries such as in South America and Asia. Cancer causes 7.6 million deaths annually, *i.e.*, around 13% of global mortality (Source: WHO).

The annual incidence of cancer in developed countries is expected to increase from 11.3 million (in 2007) to 26.4 million in 2030, with the main etiological factors being the growth and aging of the population and increased exposure to risk factors (tobacco, alcohol, pollution, etc). Consequently, a 115% increase in the number of cancer deaths is expected worldwide between 2007 and 2030 (from 7.9 to 17 million) (Source: WHO).

The global anti-cancer treatment market was valued at USD 51.7 billion in 2009 and is expected to grow to USD 77.3 billion in 2015, assuming annual average growth of 8.4% (Sources: Business Insights, IMS Health).

Cancer treatment is currently based on a therapeutic arsenal that mainly includes surgery, chemotherapy, radiotherapy, monoclonal antibodies and other targeted treatments. Immunotherapy aims to complete this arsenal, at times in combination with other treatments. As immunotherapy targets cancer treatment and not prevention, its cost should be similar to that of other cancer treatments.

1.3.1.1.1 Non-small cell lung cancer

Globally, lung cancer has the higher incidence of any cancer, with 1.2 million new cases diagnosed every year. This type of cancer is a major cause of death worldwide. While 45% of lung cancer patients will still be alive one year after being diagnosed, the rate drops to 15% after five years (Sources: Business Insights, Datamonitor, WHO). Non-small cell lung cancer (NSCLC) accounts for around 80% of all lung cancers. The MUC1 protein, which TG4010 targets, is overexpressed in more than 60% of cases. The effectiveness of current NSCLC treatments is limited. TG4010, in combination with chemotherapy, is intended as a first-line treatment of metastatic NSCLC.

1.3.1.1.2 Liver cancer

Primary tumors

Hepatocellular carcinomas (HCCs) represent the third major cause of cancer mortality worldwide, with 700,000 deaths per year (Sources: WHO, Datamonitor). Most HCCs occur in patients suffering from cirrhosis of the liver (90% of HCCs diagnosed) due to alcoholism or chronic hepatitis B or C infections.

Some 85% of hepatocellular carcinoma patients are not eligible for surgery or transplants, due to the advanced state of their illness (some 450,000 cases worldwide) (Sources: Datamonitor, Business Insights). For these patients, who are in a palliative care situation from the outset, and for whom the three-year survival rate does not exceed 8%, locoregional or targeted treatments may be offered. The eligible market for Pexa-Vec is that of patients at an advanced stage. At present, these patients only benefit from a single therapy (sorafenib), which has demonstrated longer patient survival of only three months, thus extending their survival to a total of ten months (Source: Sorafenib, SHARP clinical trial).

1.3.1.1.3 Cancers caused by the human papillomavirus (HPV)

Certain types of HPV, in particular genotypes 16 and 18, have been identified as the main causes of cervical cancer. In recent decades, with the exception of technical developments in radiotherapy and the development of targeted therapies, few major advances have been made in the treatment of cervical, and head and neck cancers. The current therapeutic strategy consists of a choice between radio-chemotherapy or surgical resection with or without adjuvant radiotherapy and is dependent on the extent of the tumor, the anticipated functional loss associated with resection, and the wishes of the patient. TG4001, in combination with other immunotherapies or with standard treatments, has the potential to improve the treatment of HPV-related tumors.

1.3.1.2 Chronic infectious diseases

Hepatitis B virus infection

According to the World Health Organization (WHO), 350 million people worldwide are affected by chronic hepatitis B (2009 data). Hepatitis B is more common is certain parts of the world like China and other Asian countries where it is suspected that over 10% of the population is now carrying this chronic infection. Chronic hepatitis B is responsible for one million deaths each year due to the complications of the disease: liver failure, cirrhosis or hepatocellular carcinoma (liver cancer).

In Europe and other developed countries, infection with the hepatitis B virus (HBV) most often affects young adults, with infection occurring primarily through sexual contact or through the use of contaminated needles for injecting drugs. In highly endemic regions such as China, transmission from mother to infant or through contact with infected people in the immediate environment also plays an important role (Source: WHO).

Various active anti-HBV molecules are currently available, including Tenofovir from Gilead and Entecavir from BMS, whose primary therapeutic objective is to inhibition the replication of the virus. However, these antiviral treatments only achieve full patient recovery in 3% of cases at best (Source: EASL HBV guidelines). Therefore, the current challenge is the development of new therapeutic approaches.

There is little competition in the field of immunotherapy products:

- the most advanced developments are conducted solely in emerging countries (China, Bangladesh, etc.); and
- only two products are currently in phase 1 clinical trials in key markets.

The first positioning considered for Transgene's TG1050 immunotherapy product is its combination with one of the antivirals currently on the market. The objectives are to increase the cure rate and reduce the duration of antiviral-based treatment. Synergy is expected between the mechanism of action of the new immunotherapy product mediated by TG1050 and that of antivirals.

In the seven major markets, the population treated annually is as follows (Source: Datamonitor):

- 150,000 patients in total in the United States, Germany, France, Italy, Spain and the UK;
- 200,000 patients in Japan.

The eligible Chinese market currently represents 500,000 patients and is expected to grow to two million patients per year by 2030 (Source: Decision Resources).

Treatment time is long: 15 years on average in developed countries, and for many patients, throughout their lives.

1.3.1.3 Competition

For a company like Transgene, competition is multifaceted. It can come from technologies (other immunotherapy approaches in the indications being targeted by Transgene or other indications) or different technology approaches for the same diseases (such as the treatment of lung cancer through a monoclonal antibody approach that would compete directly with TG4010).

Transgene products face competition from products already on the market and developed in franchise mode, *i.e.*, extending the use of commercially successful products to other indications, or products at more advanced stages of clinical development. The Company may also face competition from products that, although at a less advanced stage at a given moment, could later be developed more quickly due to greater efficacy in early clinical trials.

In addition, the nature of the Company's competitors is varied. Its main competitors are large pharmaceutical companies (Johnson and Johnson, Bristol-Myers Squibb, Roche, Merck, etc.) and biopharmaceutical companies (Amgen, Gilead, Vertex, etc.), each of which annually invests hundreds of millions of euros in R&D in the fields of cancer and infectious diseases. These companies are both competitors and potential partners. Smaller companies, such as Bavarian Nordic AS, Oncothyreon, Oxford BioMedica, Ltd., NovaRx and Oncolytics Biotech (sources: websites of relevant companies, general and specialized magazines – Nature, Science, etc. – press releases, presentations at medical conferences – ASCO, AACR, etc.) are also competitors and potential partners.

While there is currently no effective treatment to cure cancer, there are other recognized treatment methods, such as chemotherapy. Over the past few years, other targeted therapy approaches using monoclonal antibodies or small molecules have improved treatments for patients. These medications are thus competing products. However, over the past few years, only incremental innovation has been observed for drugs in these therapeutic categories. The market is therefore awaiting new products that present innovative breakthroughs and are able to provide significant therapeutic benefits. This is the approach of Transgene for the products it is developing.

1.3.2 Research and development

All of the Company's activities relate to pharmaceutical research and the development of innovative compounds. These activities are described in detail in Section 1.4.1.1.

The technology platform: vectors and gene transfer

Genes are segments of deoxyribonucleic acid (DNA) present in each cell that provide the information required to produce proteins. The production of proteins starts in the cell's nucleus when the gene is copied. The process that results in the cells producing proteins is called "gene expression".

The development of gene transfer methods that are safe, reliable and adaptable is crucial to the development of effective therapies. A therapeutic gene must be included in a delivery system (or "vector") that, when associated with this gene, will transport the latter into the patient's cells. Gene transfer therapies are currently divided into two distinctive approaches:

- the *in vivo* (inside the body) approach consists of directly administering to the patient a pharmaceutical compound containing the therapeutic gene and a "vector" responsible for conveying the gene to the patient's target cells, either for gene therapy purposes or to induce an immune response. Transgene's products fall into this category;
- cellular, or *ex vivo* (outside the body) therapy consists of removing cells from a patient, cultivating them in appropriate laboratory conditions and using a vector to introduce the functional gene in the cells, then re-implanting the modified cells into the patient. At present, Transgene does not develop cellular therapy products. It does, however, have all the required know-how and may contemplate developments in this field at some point in the future.

Transgene's research in molecular biology techniques for gene transfer has led to the development of various vector technologies.

Efforts are now focused on the poxvirus family for *in vivo* administration: MVA (Modified Vaccinia virus Ankara) and oncolytic VV (Vaccinia Virus), as well as adenoviruses.

To be effective, a vector must be able to:

- transport the gene of interest;
- transfer the gene to a sufficient number of target cells; and
- allow gene expression to produce the therapeutic protein over a sufficiently long period to ensure the success of the treatment or stimulation of the immune system.

This type of vector must also be safe. The gene delivery approach most widely used until now is based on gene transfer by viral vectors in which modified viruses of various types are used to transfer the genetic material into the patients' cells.

Transgene's research programs on vector technology aim to provide vectors with features that will optimize their performance and safety through:

- the search for potential interactions by combining different vectors, for more effective vaccination protocols;
- the insertion of the gene of interest in the most appropriate genome site;
- the generation of viral vectors able to multiply selectively in the tumors, thereby locally increasing the therapeutic protein level delivered by the gene;
- the evaluation of combinations of Transgene's immunotherapy products and anti-cancer vaccines with conventional treatments and with new categories of immunotherapy products known as immune checkpoint inhibitors (or blockers); and
- the generation of new cell lines for large-scale production.

Poxviruses are a family of viruses that includes the vaccinia virus widely used in smallpox vaccination. Vaccinia vectors administered *in vivo* have demonstrated a significant ability to induce an immune response against certain types of passenger antigens. This feature may provide a specific advantage in cancer treatment.

Transgene has developed a new generation of poxviral vectors based on a strain of MVA that does not propagate in the cells of humans or other mammals and is therefore incapable of causing an infection in humans. This strain is thus particularly safe, as demonstrated by its intensive use as a human smallpox vaccine. As of the date of this Reference Document, the MVA vector is in phase 2 clinical trials for anti-cancer and anti-infectious vaccines.

Oncolytic virus therapy (virotherapy)

The initial virotherapy approach consisted in obtaining vectors carrying a foreign gene and capable of replication in the host, despite the presence of this gene in their genome.

Transgene pioneered the development of replicative viruses with a vaccinia virus carrying a gene of the rabies virus able to orally vaccinate wild animals including foxes (through the distribution of vaccine-impregnated bait), to prevent rabies. This product is marketed by Merial, one of the global leaders in animal health. Replicative viruses are highly effective, but often at the price of significant side effects. Transgene's oncolytic vector program aims to overcome this difficulty by developing new generations of vaccinia viruses in which certain genes have been deleted in order to further increase their tolerance while maintaining their effectiveness.

Oncolytic viruses constitute a new class of cancer treatments. Unlike products using MVA, oncolytic products replicate in cancerous cells, leading to the destruction of these cells, while healthy cells suffer almost no damage. These products are activated by genetic factors present in the vast majority of human cancers. This mechanism is different from that of conventional treatments such as chemotherapy, tyrosine kinase inhibitors, antibodies and radiotherapy. Consequently, oncolytic products could be used in combination with these treatments, or alone in the treatment of resistant cancers.

Moreover, these viruses could, for example, be armed with suicide genes such as FCU1 to boost their efficacy, or be modified to improve their specificity. From an industrial point of view, real synergies exist between the production of oncolytic viruses and that of the MVA vaccine.

Monoclonal antibody therapy

Monoclonal antibodies are key successes among biological drugs, with major markets in oncology and autoimmune diseases.

Antibodies have been known for over a century. They were successfully used in therapy and prophylaxis in infectious diseases before being replaced with antibiotics. In the mid-1970s, the first generation of monoclonal antibodies of animal origin (murine) emerged. These are of limited use due to their immunogenicity. Progress in molecular biology in the 1980s led to the production of chimeric antibodies (murine-human), then humanized antibodies.

Monoclonal antibodies are unique; they recognize an infectious or tumoral antigen (for example CD115 for Transgene's TG3003 monoclonal antibody). They work in three ways: by blocking the action of molecules or specific receptors, by targeting specific cells and/or by acting as signaling molecules. In 2013, the Company acquired a stake in ElsaLys Biotech SAS, a company founded by former Transgene executives, whose aim is to develop monoclonal antibodies. Transgene holds a minority interest in ElsaLys Biotech SAS. The Company has also retained the rights to TG3003, a product which is currently in research.

Production

Transgene has a manufacturing unit for clinical batches that operates in accordance with international, European and US Good Manufacturing Practices for medicinal products. This unit has been operational since 1995 and was one of the first units built to manufacture gene transfer products in Europe. The unit is regularly inspected by the French pharmaceutical authorities, and it gives Transgene the capacity to produce its own vectors of clinical quality for its clinical trials, with pre-industrial production organization meeting the requirements of future phase 3 clinical trials.

In parallel with the production of clinical batches and the development of production processes, Transgene has acquired its own expertise in quality control and quality assurance in order to meet regulatory requirements concerning the quality and safety of pharmaceutical products for human use. Quality assurance personnel are responsible for compliance with good manufacturing practices. They conduct regular audits of the system to ensure it complies with good manufacturing practices and track changes in applicable regulations.

With its production unit and teams dedicated to the process development, manufacturing, quality control, quality assurance, medical affairs and regulatory affairs, Transgene believes that it has the capacity to function independently, from the research stage to the development of pharmaceutical products for clinical trials. Transgene will seek to make better use of these assets in such ways as contemplating production for third parties. Most of the raw materials used by Transgene are available from numerous suppliers at reasonable prices.

1.3.3 Investments

The Company's main investments in tangible and intangible assets over the past two years break down as follows:

2014	In thousands of euros	Main investments
Tangible assets	2,463	Land adjacent to the main building (€0.6 million) Equipment for the maintenance or upgrade of the pilot production unit, laboratory material. None of these investments exceeded €0.2 million
Intangible assets	139	Licenses and software
2013	**In thousands of euros**	**Main investments**
Tangible assets	1,962	Equipment for the maintenance or upgrade of the pilot production unit, laboratory material. None of these investments exceeded €0.2 million.
Intangible assets	222	Licenses and software

The projected budget for tangible and intangible investments in 2015 amounts to around €1.0 million. This includes current operating capital investments for the replacement and improvement of equipment and facilities.

Investments in financial assets made over the last three years consisted of investments in capital increases of the following companies:

- Jennerex, Inc. (€1.9 million in 2013);
- Platine Pharma Services SAS (€0.3 million in 2013);
- ElsaLys Biotech SAS (€0.5 million in 2013);
- Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd. (€0.5 million in 2013);
- Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. (€5.2 million in 2012, including a €2.6 million cash contribution);
- no new investment in 2014.

1.3.4 Competitive advantages

The MVA vector technology platform

The MVA platform is one of Transgene's technology platforms and is designed to allow a maximum number of gene transfer applications. It provides access to differentiated gene delivery techniques suited to various clinical situations, particularly in the field of cancer.

This technology platform has the following potential advantages:

- Safety: MVA is a Modified Vaccinia virus obtained from a viral strain unable to propagate in human cells;
- Easy administration: Transgene's technology is mainly focused on the development of ready-to-use products in ampules or vials, for direct administration to the patient; and

- Manufacturing efficiency: production processes allowing the use of practical cell culture and purification methods, ready for the production of commercial batches, have been developed.

Integrated skills from research to development

Transgene relies on its three decades of recognized scientific expertise. The Company has been working in the fields of gene transfer therapy and immunotherapy since 1992, and has accumulated considerable know-how in its key development areas: virology, the manufacturing of clinical batches in accordance with Good Manufacturing Practices (GMP), biological control techniques, the conduct of clinical trials and regulatory affairs.

An extensive portfolio of patents

Transgene has applied for patents and will continue to do so to protect its products, vector technologies and related processes and other technologies. As of the date of this Reference Document, Transgene owns over 170 patents both in Europe and the United States. In addition to this portfolio of patents, Transgene has licenses for third-party patents and the use of third-party processes and technologies.

Manufacturing capacity for biopharmaceutical products

Transgene has a production unit on its Illkirch-Graffenstaden site that produces clinical batches of its products under development. This comprehensive unit is designed to operate in compliance with US and European Good Manufacturing Practices and the rules governing the confined use of genetically modified organisms. In parallel with its production process, the Company has developed its own expertise in Quality Control and Quality Assurance. The Quality Control laboratory allows a major portion of the analyses to be conducted in-house, both during the production process and on end products. A Quality Assurance program was established to fulfill requirements related to the quality and safety of pharmaceutical products intended for human use.

1.4 ANALYSIS AND DISCUSSION ON THE YEAR'S ACTIVITIES

1.4.1 Principal activities

1.4.1.1 Nature of the business

Transgene is a biopharmaceutical company that designs and develops immunotherapy and virotherapy products for the treatment of cancer and infectious diseases. It aims to become an integrated biopharmaceutical company covering research and development, as well as the marketing and sale of its products.

Transgene's competitive advantages in its markets include various products under pre-clinical and clinical development, a diversified technology platform, integrated skills in research and development, an extensive portfolio of patents and the capacity to manufacture batches of biopharmaceutical products.

As of the date of this Reference Document, Transgene has three immunotherapy products (for lung cancer, liver cancer and human papillomavirus-induced cancers) and an anti-infective immunotherapy product (for hepatitis B) in clinical development. The Company also has other projects at earlier stages of development.

Transgene's activity is highly regulated

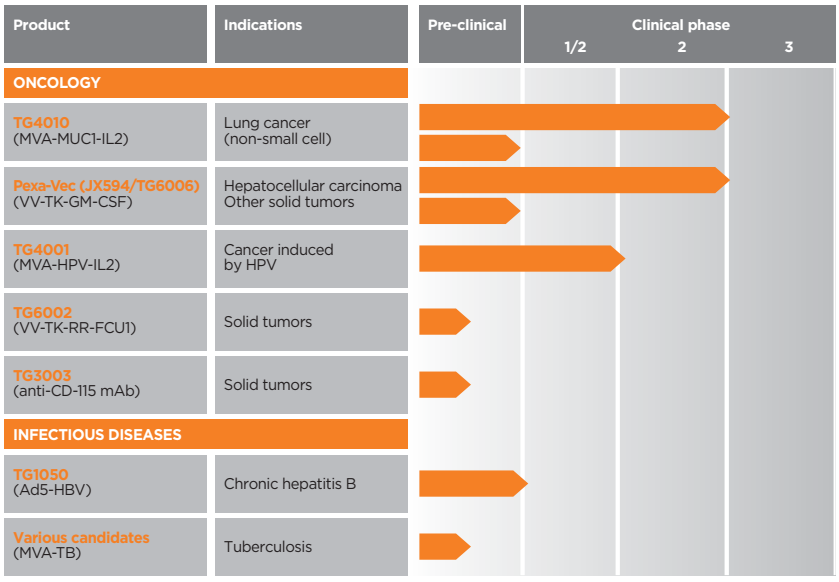
Research and development, pre-clinical testing, clinical trials, laboratories and equipment, and the manufacturing and marketing of therapeutic products are all governed by extensive regulations established by numerous governmental authorities in France, Europe, the United States and other countries. The European Medicines Agency (EMA), the French Agence Nationale de Sécurité du Médicament et des Produits de Santé (ANSM), the US Food and Drug Administration (FDA) and other regulators require compliance with strict conditions for the manufacturing, development and marketing of products such as those developed by Transgene, especially at the pre-clinical and clinical stages.

In the European Union, biotechnology products come under a "centralized" procedure for obtaining marketing authorizations, thereby avoiding a submission to each Member State. In the United States and the European Union, the average time required to obtain this authorization is approximately one year from the date the request is submitted.

The information required for the authorization of a clinical trial or marketing is standard for all medications and must meet quality, safety and efficacy requirements.

1.4.1.1.1 Principal products

The table below summarizes the status of Transgene's product portfolio at the beginning of 2015:



TG4010: lung cancer and other solid tumors

Description and mechanism of action

TG4010 is an immunotherapy product that is injected subcutaneously. TG4010 comprises a vector, the modified vaccinia virus Ankara (MVA), expressing MUC1 and interleukin 2, a cytokine that stimulates the immune system. The MVA virus, which is unable to replicate in human cells and is therefore unlikely to cause an infection in humans, has shown its safety as a vaccination against smallpox. Laboratory experiments have shown its efficacy in improving the immune response against antigens.

The MUC1 antigen is normally expressed in a large number of healthy cells in the human body. However, MUC1 is abnormally expressed in cancerous cells in the majority of patients with breast cancer, prostate cancer, lung cancer and certain other cancers. The aim of the vaccine approach is to help the body's immune system to identify cancerous cells carrying the MUC1 antigen as a target to be destroyed. The coding sequence for cytokine interleukin 2 (IL2) is added for its immunostimulation capacity.

The MUC1 gene was obtained under license from Imperial Cancer Technology Ltd., a structure for the transfer of technologies that is part of the Imperial Cancer Research Fund. This license is global and exclusively for the use of the MUC1 gene in applications for the transfer of genes using viral vectors.

Primary therapeutic indication

TG4010 is currently being developed as a first-line treatment for metastatic non-small cell lung cancer (NSCLC) in combination with chemotherapy.

Phase 2 clinical trials were conducted in patients with non-small cell lung cancer and prostate cancer in Europe and the United States. Despite the encouraging data obtained from the prostate cancer trials, the Company decided to focus its current efforts on the development of the vaccine for lung cancer. Developments for other indications are planned if positive results are obtained from the trials in progress.

Primary clinical results obtained

The product's good tolerance level in combination with chemotherapy was confirmed during the phase 1 and phase 2 trials. The main side effects related to TG4010 were typical reactions after vaccination (reactions at the injection site and asthenia.

In January 2014, Transgene announced the first results from the phase 2b part of the TIME study, a randomized phase 2b/3 study to evaluate TG4010, a targeted immunotherapy against the MUC1 protein, compared with placebo, in combination with first-line chemotherapy in patients with metastatic non-small cell lung cancer. The primary objective of the phase 2b part of the TIME study was to validate *a priori* the predictive value of the biomarker TrPAL (triple positive activated lymphocytes). The safety and efficacy of the combination of TG4010 and standard chemotherapy was also evaluated.

The predictive value of the TrPAL biomarker, identified in a previous phase 2 study, was evaluated by comparing progression-free survival between the study's treatment groups in two sub-groups, defined based on their level of TrPAL cells (normal or high) when they joined the study. A total of 222 patients were included in the study, including 170 patients with a normal level of TrPAL and 52 patients with a high level of TrPAL. In accordance with the study protocol, preliminary analyses were conducted following at least 89 events of progression in the group of patients with a normal level of TrPAL. For this analysis, the level of TrPAL was determined using a threshold based on the level of TrPAL in healthy volunteers. This limit is called ULN for Upper Limit of Normal. Using this measurement threshold, the primary objective of the study was ultimately achieved for the "normal" population but not for the "high" population, thus failing to confirm the harmful effect observed in this population in the previous study. The statistical method used was the Bayesian method.

Using the widely known frequentist method, a second analysis provided for in the protocol, was based on the use of quartiles of the study population to determine the threshold (similar to that performed in the previous study that highlighted the potential role of TrPAL). This analysis and the data generated as described hereafter facilitated the publication of very good results, supporting continuation with the phase 3 partof the study.

This analysis shows that in 75% of patients with low TrPAL values having received TG4010 in combination with chemotherapy, there is clinicaly meaningful improvement in progression-free survival. This improvement is measured by a reduction of more than 25% in the risk of progression or death in patients in this group having received a combination of TG4010 and chemotherapy compared with the placebo group. Conversely, in the 25% of patients with high levels of TrPAL, no improvement in progression-free survival was shown in patients having received the combination therapy.

These preliminary results are consistent with the previously obtained results. They support the activity of TG4010 in this indication and the predictive value of the TrPAL biomarker. On September 29, 2014, additional data from a more recent analysis were presented at the ESMO conference. The analyses, which were conducted with more mature data, showed that in the subgroup of patients with non-squamous histology (88% of patients), a significant difference was observed in progression-free survival as well as overall survival, for which the data were still maturing. In line with previous communications, these improvements were more notable in the sub-population of patients with a low level of TrPAL.

The data is broken down below:

ITT (intent-to-treat)		Progression-free survival	Overall survival
Sub-group	**Total number of patients (TG4010/placebo)**	**Hazard Ratio (Confidence interval 95%)***	**Hazard Ratio (Confidence interval 95%)***
Non-squamous	195 (97/98)	0.71 (0.51, 0.97)	0.73 (0.50, 1.07)**
Non-squamous, low TrPAL	131 (64/67)	0.60 (0.41, 0.88)	0.70 (0.45, 1.10)***

* *Stratified Cox proportional hazards model.*

** *Analysis of overall survival based on 56% of possible events.*

*** *Analysis of overall survival based on 60% of possible events.*

TG4010 was well tolerated with side effects consistent with those observed in previous studies.

Future development stages

The phase 3 of the TIME study is in the process of being prepared, but will only be launched when a partnership is signed.

In April 2014, Novartis, which had a licensing option on the product, notified the Company of its decision not to exercise this option. Since then, the Company has been looking for a new partner.

Over the next 12 months, the Company plans to launch phase 2 studies with TG4010 in combination with immune checkpoint inhibitors.

Marketing outlook

The Company has not set a possible date for commercial launch, given the uncertainty surrounding the date when the phase 3 trial will be initiated.

Pexa-Vec oncolytic virus: liver cancer and other solid tumors

Description and mechanism of action

In September 2010, Transgene acquired the rights to develop and market Pexa-Vec in Europe, the Commonwealth of Independent States and the Middle East from Jennerex, Inc. Pexa-Vec is an oncolytic virus derived from the poxvirus strain (the family of vaccinia viruses) (see Section 1.4.2).

The poxvirus strain from which Pexa-Vec is derived allows replication of the virus in cancerous cells. Its safety profile and selectivity for cancerous cells were reinforced by deleting the thymidine kinase gene (TK), thus making it dependent on the TK constantly expressed at high levels by cancerous cells. To increase its efficacy even further, Pexa-Vec was also modified to express the GM-CSF gene, an addition that aims to increase cell lysis caused by the product, resulting in a series of events that ends in tumor necrosis, disruption of tumor vascularisation and an immune response against the tumor.

Pexa-Vec attacks tumors through three mechanisms of action: cell lysis via the selective replication of the virus in tumor cells, blocking of tumor vascularisation and stimulation of the immune response against the tumor (active immunotherapy).

Primary therapeutic indication

The majority of cancers carry mutations and genetic alterations that Pexa-Vec requires to be active.

Phase 1 and 2 clinical studies in different types of tumors showed that, when injected into tumors or administered by infusion, Pexa-Vec is well tolerated by patients and results in a reduction of the tumor mass and/or necrosis. Objective responses were observed in a certain number of tumors, particularly of the liver, kidneys, lung and skin (melanoma). Pexa-Vec has a favorable safety profile, with side effects that are predictable and generally mild, such as flu-like symptoms that disappear in two or three days. The primary indication in the current product development plan is liver cancer (hepatocellular carcinoma, or HCC).

Primary clinical results obtained

In November 2011, the final results of a phase 2 randomized study of patients with advanced liver cancer evaluating two dose levels (high and low) of Pexa-Vec were announced during the AASLD (American Association for the study of Liver Diseases) conference. These results showed that patients who received the high dose had a statistically significant clinical benefit in terms of overall survival compared to the group who received a low dose. The risk of death in patients who received the high dose of Pexa-Vex was significantly reduced (by close to 60%; hazard ratio = 0.41) compared to the risk for patients included in the control group receiving the low dose (1/10th of the high dose). The median overall survival was respectively 14.1 months in the group that received the high dose and 6.7 months in the group that received the low dose (p=0.029). The percentage of patients alive after one year was 66% in the group that received the high dose compared to 23% in the other group (Kaplan-Meier estimate). Pexa-Vec was well tolerated, and patients presented flu-like symptoms that were transient and generally disappeared within 24 hours. For this study, 30 patients were recruited in the United States, Canada and South Korea. The final results of this study were published in the Journal Medicine in February 2013.

A phase 2b randomized placebo controlled clinical trial in patients with hepatocellular carcinoma (HCC) for which treatment with sorafenib (Nexavar®) failed was conducted in 2012 and 2013. This trial (TRAVERSE study), conducted by Jennerex's partners in North America, Europe and Asia evaluated the survival of patients with advanced HCC for whom the illness had progressed after treatment (second-line treatment) with sorafenib (the current standard treatment) as well as patients who did not tolerate this treatment.

In September 2013, Transgene announced that the TRAVERSE study's efficacy data had been analyzed in accordance with the terms of the clinical protocol. The primary objective of the study, the overall survival of patients receiving Pexa-Vec plus best supportive care compared with patients receiving only the supportive care, was not achieved. Pexa-Vec was generally well tolerated, with a profile of adverse events in line with those of previous Pexa-Vec studies in patients with advanced liver cancer (hepatocellular carcinoma, or HCC). An in-depth study of the results determined more appropriate selection criteria for phase 3, which will target patients in first-line treatment who have better prognosis factors and are better able to potentially benefit from immunotherapy approaches. The Company intends to continue developing the product for the first-line treatment (*i.e.*, in patients who have not been treated with sorafenib (Nexavar®) of liver cancer (see below).

Definitive acquisition of Jennerex, Inc., the company developing Pexa-Vec, by SillaJen, Inc.

In March 2014, the Company announced that it sold its stake in the capital of Jennerex, Inc. (approximately 8.5%) on a fully diluted basis, to SillaJen, Inc. Following this transaction, Transgene received a payment of around USD 3.2 million, which was recognized in the first half of 2014. Transgene could also receive an additional payment of up to USD 10 million if all future clinical and regulatory stages are achieved.

The development and marketing agreement for the oncolytic virotherapy product Pexa-Vec between Transgene and Jennerex, Inc., now a wholly-owned subsidiary of SillaJen, Inc., has been maintained and the partners are actively collaborating on this program.

Future development stages

In March 2014, Transgene and its partners SillaJen, Inc. and Lee's Pharmaceuticals announced a new plan for the clinical development of Pexa-Vec.

The lead program within this new plan will be a phase 3 clinical study, which will evaluate Pexa-Vec in combination with sorafenib in the first-line treatment of patients with advanced hepatocellular carcinoma (HCC). This global study will be conducted in Europe, Asia and North America and should include around 600 patients. Patients will be randomized into two groups to receive Pexa-Vec immediately followed by sorafenib, or sorafenib only. Sorafenib (Nexavar®) is currently the only product approved for the first-line treatment of advanced HCC. Recruitment for this study should start at the end of 2015. The preparations were already underway as of the date of this Reference Document.

In addition to the phase 3 study, a study evaluating Pexa-Vec in combination with cyclophosphamide administered in small doses (metronomic), primarily in breast cancer and soft tissue sarcoma should start in the third quarter of 2015. This study will form part of a program financed by the INCa (National Cancer Institute) and is sponsored by the Institut Bergonié (Bordeaux, France). Cyclophosphamide administered continuously in small doses is used in combination with immunotherapy treatments to potentiate the effects.

Other studies are also planned to complete and reinforce the program:

- a study, with Pexa-Vec in solid tumors before surgical intervention, which aims to better document Pexa-Vec's mechanism of action in the actual tumor environment;
- a study evaluating Pexa-Vec in combination with an immune checkpoint inhibitor, based on the rational of synergized efficacy in the combination of immunotherapy classes. This type of combination approach is considered very promising in oncology.

Marketing outlook

According to the current development plan for the product in the first-line treatment of advanced liver cancer, the first marketing authorization application for Pexa-Vec could be filed in 2018 or 2019, due to delays linked in particular to the acquisition of the partner Jennerex by SillaJen, Inc..

TG4001: cancers caused by the human papilloma virus (HPV) infection

Description and mechanism of action

TG4001 is an immunotherapy product composed of a vector, the MVA vaccinia virus expressing two antigens of the human papilloma virus (HPV), type 16 (HPV16), as well as interleukin 2 (cytokine also present in TG4010).

Primary therapeutic indication

Having been initially developed in precancerous lesions of the cervix (intraepithelial neoplasia CIN2/3), the product was reoriented in 2012 to cancers caused by the HPV virus, with a draft clinical trial in oropharyngeal cancer caused by the HPV virus in collaboration with the European cooperative group EORTC, which will not be continued.

In the previously conducted studies, TG4001 showed a good safety profile, with mild reactions at the injection site as the most frequent side effect associated with the therapeutic vaccine. No serious side effect associated with the therapeutic vaccine was observed.

More specifically, in the last phase 2b study in patients with CIN2/3, these data were obtained with just three injections of TG4001 in monotherapy, unlike other studies conducted by Transgene with other products using MVA as a viral vector. Therefore, this provides solid proof of the activity of the immunotherapy product in a pathology caused by HPV and, in this respect, these results are extremely encouraging for TG4001 and all of the MVA platform.

Future development stages

The Company has decided to once again focus the development of this product on patients with cancers caused by the human papilloma virus in combination with immune checkpoint inhibitors.

Marketing outlook

Transgene is not currently in a position to provide any visibility on the timetable relating to the marketing authorization application for this product.

TG1050: chronic hepatitis B

Description and mechanism of action

TG1050 is an immunotherapy based on the human adenovirus serotype 5. This non-replicating virus (it cannot replicate in the patient's body) expresses several antigens of the hepatitis B virus (HBV): the DNA polymerase enzyme, responsible for replication of the virus, the surface protein located outside the virus that allows HBV to enter the cells that it infects and finally the HBV capsid protein, *i.e.*, the protein comprising the structure that surrounds the viral genome. Once produced in the body via the adenovirus vector, these HBV proteins will activate the patient's immune system and cause the T lymphocytes specific to HBV to recognize the infected cells and eliminate them.

Therapeutic indication

TG1050 is intended for the treatment of chronic hepatitis B.

Despite the introduction over the last ten years of new effective drugs, nucleoside analogues (NAs) and pegylated interferon alpha (PEF-IFN), to treat chronic hepatitis B, these treatments only rarely succeed in eliminating the infection, *i.e.*, the disappearance of the HBV surface antigen (HBsAg) at the same time as a measurable antibody response against the same antigen, or seroconversion against HBsAg.

In combination with the standard treatment, TG1050 could increase the level of seroconversion against HBsAg compared with the current standard single treatments, thus providing a new option to cure this disease.

Primary results obtained

Transgene announced that it had preclinical proof of concept with TG1050. The data presented at the EASL (European Association for the Study of the Liver) conference reported, for this vaccine candidate:

- a strong and broad immune response (T-cell response) in preclinical models after one or several injections of TG1050;
- a powerful effect *in vivo* of cell lysis (cytolysis) against several epitopes; and
- genetic stability.

Additional data were unveiled during the 2013 EASL conference in Amsterdam, the Netherlands, in April 2013. The new data presented confirmed the capacity of TG1050 to trigger a T-cell response specifically directed against the hepatitis B virus (HBV), which persists over time (memory T-cells). Moreover, this research work was published in the prestigious scientific journal, Gut.

These experiments were conducted in particular in two mouse models: a transgenic mouse for the hepatitis B virus (University of Ulm), in which the hepatic cells express all of the virus genome, and another mouse model using a viral vector called "adeno-associated virus" that encodes the HBV genome (AAV-HBV from the Institut Pasteur), which also allows the expression and replication of HBV in the liver of the mice. In these two models, particularly the AAV-HBV model, a single injection of the TG1050 vaccine causes the production of functional T-cells specific to HBV in the liver without causing inflammation of the liver. In the AAV-HBV model, the research showed that these lymphocytes are detected concomitantly with a reduction in the viral load.

Future development stages

Transgene has started a first clinical trial in humans and plans to treat the first patient in this study in mid-2015.

Marketing outlook

Transgene is not currently in a position to provide any visibility on the timetable relating to the marketing authorization application for this product.

1.4.1.1.2 Other products

Transgene invests significantly in the next generation of products. Its main areas of research are oncolytic viruses in cancer (TG6002) and immunotherapy products in infectious diseases (particularly tuberculosis).

TG6002: treatment of solid tumors

TG6002 is an oncolytic immunotherapy developed to treat solid tumors. The program is well advanced in the preclinical testing phase and should enter the clinical phase in 2016.

Marketing outlook

Transgene is not currently in a position to provide any visibility on the timetable relating to the marketing authorization application for this product.

Tuberculosis program

Transgene's tuberculosis program covers the development of a targeted immunotherapy to treat active tuberculosis, including resistant tuberculosis. It uses Transgene's viral vector technology, into which proteins expressed by the mycobacterium both in the latent phases and the active phase of the infection are inserted.

An immunotherapy approach could improve the efficacy of current treatments, especially for patients in whom the infection has become resistant to treatment, by correcting the response of the patient's immune system to the disease and by stimulating this to eradicate latent tuberculosis against which current treatments are ineffective. Transgene has created several product candidates which are in the process of being evaluated to determine which will be retained for subsequent development stages.

In October 2013, the Company announced that its tuberculosis immunotherapy program would benefit from USD 5 million from the US National Institute of Allergy and Infectious Diseases (NIAID, an agency of the National Institutes of Health or NIH), which has awarded the funds to Emergent BioSolutions Inc. (NYSE:EBS), with whom the Company has signed a collaboration agreement to develop a cell line production process and manufacture the anti-tuberculosis immunotherapy product that the Company choses to develop (see Section 1.4.3). The significant expertise of Emergent BioSolutions in this field will complement the capacity and know-how of the Company, which retains all the rights associated with the development and commercialization of the candidates generated as a result of this program.

Marketing outlook

Transgene is not currently in a position to provide any visibility on the timetable relating to the marketing authorization application for this product.

1.4.2 Material contracts

Consortium agreement as part of the ADNA program (Advanced Diagnostics for New Therapeutic Approaches)

Transgene is a partner in a research program coordinated by Institut Mérieux, which brings together bioMérieux, Transgene and Genosafe and the Genethon association. The program's goal is to develop a new generation of diagnostics and therapies focusing on cancers and infectious and genetic diseases. The program is called ADNA (Advanced Diagnostics for New Therapeutic Approaches). It was supported by the Industrial Innovation Agency, which merged with OSEO in 2007 and became Bpifrance in 2013.

Under this project, Transgene will receive grants and reimbursable advances up to €8.3 million and €15.9 million, respectively, over the duration of the program, *i.e.*, from 2008 to 2017. If the project is a success, which is defined as the marketing of a product for which a grant has been awarded and reaching a lower limit of revenue, Transgene must pay back, under certain conditions, the advances in installments and then, if applicable, pay interest (1.75% of revenue) over a certain length of time. The agreement was approved by the European authorities on October 22, 2008.

Collaboration agreement with Ventana Medical Systems (Ventana)

In June 2010, Transgene signed a collaboration agreement with Ventana to develop an immunohistochemistry (IHC) diagnostic test to identify tumor cells expressing the MUC1 protein (MUC1 test). This agreement expired in 2014.

License agreement with Jennerex, Inc. (Jennerex)

In August 2010, Transgene and Jennerex signed an exclusive partnership agreement for the development and commercialization in Europe, the Commonwealth of Independent States (CIS) and the Middle East of Jennerex's oncolytic virus Pexa-Vec to treat solid tumors.

Under the terms of this agreement, Transgene obtained exclusive rights to develop and market Pexa-Vec in Europe, the CIS and the Middle East and the manufacturing rights within its territory.

Under the Pexa-Vec global development plan, Transgene and Jennerex are to co-develop the product globally, with Transgene assuming (a) the development costs and clinical costs in its exclusive territory and (b) responsibility for marketing and the production rights within its territory. In parallel to this partnership agreement, Transgene invested in the capital of Jennerex.

As part of the development, Transgene may have to pay Jennerex up to USD 116 million for milestone payments and marketing authorization, as well as royalties on sales of Pexa-Vec by Transgene and its sub-licensees. Jennerex also has an option for the co-promotion of the product in five of the main European countries that are the exclusive territory of Transgene.

The development plan will first of all focus on the treatment of hepatocellular carcinomas (HCC), as first and second line treatments, and colorectal cancer. Transgene and Jennerex intend to launch a large controlled phase 2b/3 clinical program in patients with hepatocellular carcinomas. A phase 2 study in patients with colorectal cancer that is refractory or intolerant to Erbitux® is also planned.

The development and marketing agreement for the oncolytic virotherapy product Pexa-Vec between Transgene and Jennerex, Inc., now a wholly-owned subsidiary of SillaJen, Inc., has been maintained and the partners are actively collaborating on this program.

Development agreement with Laboratory Corporation of America Holdings (LabCorp)

In July 2011, Transgene and LabCorp signed a framework agreement to develop a companion diagnostic test to measure the level of TrPAL cells to select patients for treatment with TG4010. This test will be available and used in reference laboratories.

Transgene finances the various stages of development and the implementation of the test in reference laboratories by signing implementation agreements to the framework agreement.

Under the terms of this agreement, the parties must agree on the terms under which LabCorp will provide the services to the reference laboratories which will sell the TrPAL test, in consideration of royalty payments to Transgene.

Collaboration and Licensing Agreement with VALNEVA (previously VIVALIS)

In July 2011, Transgene and Vivalis signed a collaboration and commercial licensing agreement to develop a production process using Vivalis's EB66® cell line adapted to the production of Transgene's therapeutic MVA vaccines.

As part of this agreement, Transgene made an initial payment to Vivalis and may have to pay milestone payments at certain stages of clinical development, as well as royalties associated with sales of Transgene products manufactured using Vivalis's EB66® cell line. Vivalis will also receive revenue linked to the manufacture, in accordance with Good Manufacturing Practices, of the initial clinical batches.

Agreement with SANOFI

In March 2013, Transgene announced the signature of a collaboration agreement to create a new state-of-the-art platform for the manufacture of immunotherapy products and Transgene therapeutic products in particular.

The platform will be completed at the Genzyme Polyclonals site in Lyon, in the Gerland quarter, for an investment of €10 million, financed equally by Sanofi and Transgene. The platform will remain the exclusive property of Sanofi.

Sanofi and Genzyme will act as a bioproduction services company (Contract Manufacturing Organization or CMO) for Transgene and will manufacture clinical and commercial batches for Transgene's immunotherapy products, including the therapeutic MVA vaccines. Transgene will be a prefered customer of the commercial manufacturing platform for 15 years.

The construction, certification and approval of the manufacturing site started in January 2014 and should be completed in the second quarter of 2015. The first batches of commercial products should be available in 2015.

Licensing agreement with ASCEND

In July 2013, Transgene granted Ascend BioPharmaceutical (Ascend), a new biotechnology company based in Australia, a license for the TG1042 immunotherapy product to treat a common form of skin cancer, nodular basal cell carcinoma (or BCC), in addition to other cancer indications; Transgene retains the rights to other potential indications.

Agreement with EMERGENT

In October 2013, Transgene announced that its new tuberculosis immunotherapy program would receive USD 5 million in funding from the US National Institute of Allergy and Infectious Diseases (NIAID, which is an agency of the US National Institutes of Health or NIH), which has awarded the funds to Emergent BioSolutions Inc. (NYSE: EBS).

As a subawarder of this grant, Transgene signed a collaboration agreement with Emergent BioSolutions to develop a cell line production process and manufacture the anti-tuberculosis immunotherapy product that Transgene selects for development.

Transgene retains all the rights associated with the development and commercialization of candidates generated through this NIAID-funded program.

1.4.3 Financial position

1.4.3.1 General information

Transgene is a biotechnology company that develops innovative immunotherapy products for the treatment of cancer and infectious diseases. Transgene is a vertically integrated company. It has production facilities for its product batches used in research and development. It also has quality control and research laboratories. Through a strategic partnership with Sanofi, Transgene will have access to commercial-scale production capacities by 2016. The Company aims to make the most of all of its assets, including its production capacity. Several products are in development. Four of these are in the clinical development phase: TG4010, a therapeutic vaccine initially developed for lung cancer, Pexa-Vec, an oncolytic virus initially developed for liver cancer, TG1050 a therapeutic vaccine developed to treat patients chronically infected with the hepatitis B virus, and TG4001, a therapeutic vaccine developed for cancers caused by the human papilloma virus (HPV). The other products are in preclinical development stage.

1.4.3.2 Major accounting principles

Revenue recognition

At the date of this Reference document, with no products on the market, Transgene generates revenue from (i) collaboration and licensing agreements signed with other companies in its sector (see Section 1.4.2) and (ii) public funding of research expenses (grants and research tax credits).

Some collaboration and licensing agreements involve the provision of research or manufacturing services by the Company, on a best-efforts basis. Transgene bills for its services at a contractually defined price, which is generally based on time spent, and billings are recorded as operating income as and when the services are performed. Revenue from some of these contracts is recognized when the services are performed. In these cases, the services are recorded as operating income on the income statement after satisfactory quality control and customer acceptance. Cash receipts corresponding to income not yet recognized as income in accordance with the principles outlined above are recorded as deferred income on the balance sheet until they meet the criteria for recognition as operating income. Income from patent licenses generally consists of an upfront non refundable payment on the signing of the agreement, milestone payments and other payments such as royalties on sales.

The Company may be required to grant an option right. Income associated with the concession is recorded as deferred *income* on the balance sheet and recognized as income on a straight line basis until the estimated date of exercise of the option by the beneficiary. The expected date of exercise of the option is reviewed periodically.

In the event that the Company is not committed to perform work for the development of technology after signature, the non-refundable fees for technology usage rights paid when the license is signed are recognized as operating income upon the fulfillment of the contractual obligations. In the event that the Company continues some technology development work after signature or if it has a subsequent obligation to deliver the product, these rights are recognized as operating income to be deferred over the period of development or delivery of the product.

Milestone payments received under collaboration and licensing agreements are recognized as income when the operative event has occurred and there are no longer any conditions precedent to the payment by the third party. Triggering events are usually scientific or clinical results obtained by Transgene, the initiation of studies or external factors such as regulatory approvals.

Sales royalties received under collaboration and licensing agreements are based on sales by licensees of products or technologies. They are recognized on the basis of the license terms, when the sales can be reliably measured and recovery of the related receivables is reasonably assured.

Certain research and development expenses in France are entitled to a research tax credit recognized at the end of the year in which the expense was recorded and the tax credit claimed. If it has not been used by allocation to a tax charge, the tax credit may be redeemed in accordance with the tax provisions. Research tax credits are recognized on the income statement under "Government grants" in accordance with IAS 20.

Research and development expenses

Research and development expenses are recognized on the income statement in the period in which they are incurred. Development costs are capitalized only when the requirements of IAS 38 are met. At the current development stage of its products, the Company believes that, at the date of this Reference Document, these conditions were not met. Therefore, it did not capitalize its development costs.

Share-based payments

The Company distributes options to its officers and employees to subscribe to shares and free shares. The corresponding expense for these distributions is evaluated and spread over time, according to the principles of IFRS 2.

Benefits at retirement

In accordance with the prevailing laws and practices in France, Transgene SA offers certain benefits to ensure eligible employees receive a lump sum payment at the time of retirement (retirement severance plan). The Group's obligation under these defined benefit plans may be funded by plan assets consisting of various instruments, in line with relevant regulations. The rights acquired by active staff are estimated using actuarial valuations based on the probability of death and continued employment by the Company, as well as expected future salaries. Commitments are valued using the projected credit unit method. This provision is not applicable to employees of entities based outside of France.

1.4.4 Foreseeable changes, outlook and significant events after the balance sheet date

1.4.4.1 Information on trends

At the date of the present Reference Document, the Company expects cash outflow of around €45 million in 2015.

1.4.4.2 Profit forecasts or estimates

None.

1.4.4.3 Significant change in the Company's financial or trading position

None.

1.4.5 Cash flow, financing and capital resources

To date, the Company has had to finance its operations through capital increases. Historically, the Company has mainly been financed by its majority shareholder, due to that shareholder's wish to maintain its level of control and interest (see 4.3.3. Financial liquidity risk related to cash requirements).

Investments

Investments in tangible and intangible assets (net of disposals) amounted to €2.3 million in 2014 (€2.1 million in 2013).

Repayable advances and loans

In 2014, the Company used its 2013 research tax credit of €8.9 million. To this effect, it took out a bank loan with Bpifrance that matures in mid-2017, at which time the receivable is expected to be paid by the French government.

In 2014, Transgene also received €0.8million (versus €2.9 million in 2013) in repayable advances for the ADNA program, which receives public funding from Bpifrance. Since the start of the ADNA program, the Company has received €13.4 million in repayable advances under this program. The Company may receive up to €2.6 million in additional repayable advances over the remaining term of the ADNA program, *i.e.*, until 2016.

Liquidity and capital resources

On March 25, 2014, the Company announced that a total of €65.5 million was raised via a capital increase in two steps:

- a capital increase with preferential subscription rights, launched on February 28, 2014, which raised gross proceeds of €45.5 million; and
- a private placement completed on March 24, 2014, which raised €20 million.

The Company's cash is invested in short-term money-market mutual funds or placed, under market conditions, in a cash pool arranged by the majority shareholder of Transgene, Institut Mérieux.

At December 31, 2014, the Company's available cash amounted to €65.9 million versus €47.9 million at December 31, 2013.

At the date of this Registration Document, the Company had no bank debt subject to covenants.

Cash flow:

Excluding the issuance of shares, the Company's net cash consumption amounted to €44.9 million in 2014 versus €45.0 million in 2013.

1.4.6 Presentation of the financial statements and appropriation of net income/(loss)

The Company has incurred losses since 1993 and expects to continue to incur losses over the next few years due to the costs incurred by its research and development programs and preclinical and clinical trials. In previous years, Transgene's main sources of revenue were research and bio-manufacturing services for third parties and government grants.

Future revenues should be limited to payments related to existing and future strategic partnerships with pharmaceutical companies, third-party manufacturing contracts, current license agreements, investment income from cash investments and public funding.

Comments on operating results (IFRS)

Fiscal years ended December 31, 2014 and 2013

INCOME STATEMENT

(in € thousands)	12/31/2014	12/31/2013
Income from collaboration and licensing agreements	2,490	3,849
Public funding for research expenses	9,262	11,886
Operating income	**11,752**	**15,735**
Research and development expenses	(49,824)	(50,063)
General and administrative expenses	(7,578)	(6,769)
Other income and expenses, net	(1,282)	(101)
Net operating expenses	**(58,684)**	**(56,993)**
Operating income	**(46,932)**	**(41,198)**
Financial income (expenses), net	(801)	(731)
Profit before tax	**(47,733)**	**(41,928)**
Tax on profits	-	-
Income from equity affiliates	(824)	(930)
Net income	**(48,556)**	**(42,858)**
Basic loss per share (€)	(1.26)	(1.34)
Diluted earnings per share (€)	(1.26)	(1.34)

Operating income

During the periods under review, revenues from collaborative and licensing agreements mainly included the following:

- manufacturing or research services for third parties (including for, Jennerex, Inc. for Pexa-Vec, and for Emergent Biosolutions, Inc. for a product candidate against tuberculosis) amounting to €1.7 million in 2014 (€2.2 million in 2013);
- "upfront payment" or "milestone" income for products under development, amounting to €0.2 million in 2014 (€1.0 million in 2013); and
- income related to commercial use of technologies or products provided under license by Transgene, amounting to €0.6 million in 2014 (same as in 2013).

At December 31, 2014, government financing for research expenditures corresponded to grants received and receivable, as well as a research tax credit. Research grants amounted to €0.6 million in 2014 (€3.1 million in 2013). In 2014, grants were provided mainly by the ADNA (Advanced Diagnostics for New Therapeutic Approaches) program funded by Bpifrance. Transgene could collect receive up to €0.8 million in additional funding over the remainder of the program, *i.e.* until 2016.

The research tax credit (CIR - crédit impôt recherche) totaled €8.8 million in 2014 (€8.9 million in 2013). Eligible expenses (net of grants received during the fiscal year) amounted to €29.3 million in 2014 and €29.6 million in 2013. In 2014, lower eligible expenses were offset by lower public financing of research expenditures. The decrease in eligible R&D expenses between 2013 and 2014 (€30.7 million in 2014

versus €33.1 million in 2013) is due to the decrease in clinical trial expenses (use of companies such as CRO – contract research organization) and the outsourcing of eligible research (€7.3 million in 2014 versus €9.8 million in 2013), which was partly offset by an increase in employee costs and operating expenses eligible for the CIR (€22.2 million in 2014 versus €21.9 million in 2013). This reduction leads to an increase in the basis of expenses eligible for the calculation of the tax credit.

Operating expenses

R&D expenses amounted to €49.8 million in 2014, stable compared to 2013 (€50.1 million).

The following table details R&D expenses by type:

(In millions of euros)	12/31/2014	12/31/2013	Change
Payroll costs	19.8	19.4	+2%
Share-based payments	0.5	0.6	-17%
Intellectual property expenses and licensing costs	1.3	1.7	-24%
External expenses for clinical projects	7.6	12.5	-39%
External expenses for other projects	7.6	3.9	+95%
Operating expenses	10.1	9.3	+9%
Depreciation and provisions	2.9	2.7	+7%
RESEARCH AND DEVELOPMENT EXPENSES	**49.8**	**50.1**	**-0.5%**

Employee costs allocated to R&D (salaries, employer contributions and related expenses) amounted to €19.8 million in 2014, compared to €19.4 million in 2013. The Company's R&D workforce decreased slightly in 2014 (243 full-time equivalents in 2014 versus 246 in 2013).

Expenses for intellectual property and licensing amounted to €1.3 million in 2014 versus €1.7 million in 2013.

External expenses for clinical trials amounted to €7.6 million in 2014 versus €12.5 million in 2013. This significant decrease (-39%) was due to the following:

- the decrease , in 2014, in the number of patients treated in the phase 2b part of the phase 2b/3 TIME trial with TG4010 in lung cancer following the completion of this part of the study (€4.8 million in external expenses for this product in 2014 versus €8.1 million in 2013);
- the completion, in 2014, of the TRAVERSE study, a phase 2b clinical trial with Pexa-Vec for the second-line treatment of advanced liver cancer, which was still recruiting patients in 2013 (€1.4 million in external expenses for this product in 2014 versus €3.4 million in 2013);
- conversely, the costs for preparing the phase 3 part of the phase 2b/3 TIME trial with TG4010 in lung cancer amounted to €1.1 million in 2014.

Other external expenses, including expenses for research, pre-clinical and manufacturing projects, amounted to €7.6 million in 2014 versus €3.9 million in 2013. This sharp increase (95%) was mainly due to the decision taken at the beginning of the year to launch the construction of a commercial batch production unit in collaboration with Sanofi/Genzyme (€2.6 million in external expenses in 2014 versus €0.2 million in 2013), and the initiation of regulatory toxicology studies (preclinical studies) with various product candidates (€1.1 million in external expenses in 2014 versus €0.1 million in 2013).

Operating expenses, including the cost of operating research laboratories and Transgene's manufacturing facility, amounted to €10.1 million in 2014 versus €9.3 million in 2013. This increase stems from the following: the use of raw materials and consumables (€4.9 million in 2014 versus €4.6 million in 2013); and the implementation of a program for IT hosting and backup amounting to €0.4 million in 2014 versus €0.2 million in 2013.

General and administrative expenses amounted to €7.6 million in 2014 versus €6.8 million in 2013.

The following table details general and administrative expenses by type:

(In millions of euros)	12/31/2014	12/31/2013	Change
Payroll costs	3.7	3.2	+16%
Share-based payments	0.2	0.2	N/S
Fees and administrative expenses	2.5	2.3	+9%
Other fixed costs	1.1	0.9	+22%
Depreciation and provisions	0.1	0.2	-50%
GENERAL AND ADMINISTRATIVE EXPENSES	**7.6**	**6.8**	**+12%**

Employee costs amounted to €3.7 million in 2014 versus €3.2 million in 2013. This increase is mainly due to an increase in the number of senior employees in the Company's U.S. subsidiary. The number of employees working in administrative functions decreased slightly between 2013 and 2014 (23 full-time equivalents in 2014 versus 27 in 2013).

Fees and administrative expenses amounted to €2.5 million in 2014 versus €2.3 million in 2013.

Other revenue and expenses, net

Other expenses, net amounted to €1.3 million in 2014 versus €0.1 million in 2013.

In July 2014, the U.S. Company ABL, Inc. acquired a majority interest in Platine Pharma Services SAS. Prior to the transaction, a part of the losses of Platine were re-absorbed through a capital reduction. The transaction was followed by a free transfer to ABL of shares held by Transgene and the two other main shareholders, Innate Pharma and Indicia. These transactions resulted in a loss of €0.7 million in 2014.

The sale of shares in Jennerex, Inc. in April 2014 also generated a net expense of €0.2 million in 2014, corresponding to the difference between the actual amount received and the estimate of the receivable, versus the value of the shares on the balance sheet.

Financial income (expense)

A net financial expense of €0.8 million was recognized in 2014 versus €0.7 million in 2013.

Financial income (investment income) amounted to €0.3 million in 2014 versus €0.7 million in 2013.

The main financial expenses consisted of bank interest on the financing of the research tax credit (€0.4 million), the discounting of the advances received by Bpifrance under the ADNA program (€0.6 million), and interest on the property finance lease (€0.2 million).

Net loss:

Net loss for 2014 was €48.6 million (€42.9 million in 2013). Net loss per share was €1.26 in 2014 (€1.34 in 2013).

Dividend policy

The Company has not distributed a dividend since its formation. In the coming years, it plans to use all available funds to finance the business and future growth.

1.5 RISK FACTORS

The Company has reviewed the risks that could have a significant adverse impact on its business, financial position or results (or on its ability to meet its targets) and believes there are no significant risks other than those set out below. Investors should read the following risk factors carefully, as well as the other information contained in this Reference Document, particularly those relating to the financial statements and corresponding notes. In view of the Company's business sector and the fact that its products are still at a very early stage of development, it is generally not possible to assess and quantify the probability of the occurrence of a specific risk and its individual impact on the Company's outlook.

1.5.1 Specific risks related to the Company's business

1.5.1.1 Risks specific to the Company

1.5.1.1.1 Risks related to the therapeutic approaches used by the Company

The Company develops immunotherapy products to combat cancer and infectious diseases. These products are mainly therapeutic vaccines and oncolytic viruses. At the date of this Reference Document, there are very few immunotherapy products on the market. The most recently approved products (Opdivo from Bristol Meyers Squibb and Keytruda from Merck) belong to a new class of immunotherapies against cancer called immune checkpoint blockers inhibitors. The products developed by the Company utilize medical technologies for which the preclinical and clinical data relating to their safety and efficacy remain limited. Furthermore, since this is increasingly the case in oncology, the Company's products must be administered in combination with other treatments such as chemotherapy or other immunotherapies. As a result, there are still a number of uncertainties relating to the prospects for development and profitability of products manufactured using this technology. For example, their safety, efficacy and acceptance by patients, doctors and healthcare providers have not been established.

As of the date of this Reference Document, none of the Company's products have reached an advanced stage of development; all of the products are in the research stage, in preclinical studies or in the first or second stages of clinical studies, which include three stages. Animal tests alone cannot necessarily predict the results that will be obtained in humans, and the possible positive results obtained during the initial clinical phases with a limited number of patients may not be confirmed in later phases with a larger number of patients.

In such a case, the development of the product candidate may not go ahead and this would have a material adverse effect on the Company's business, results, financial position and development.

1.5.1.1.2 Risks related to clinical trials

Before marketing in Europe or the United States, each product is subject to rigorous preclinical and clinical trials and an extended regulatory approval process by the European Medicines Agency (EMA), the French Agence Nationale de Sécurité du Médicament et des Produits de Santé or the US Food and Drug Administration (FDA). Clinical trials are conducted in three successive phases in accordance with specific regulations known as "Good Clinical Practices". In phase 1, clinical trials normally involve a smaller number of subjects to establish the preliminary safety profile, the dosing regimen and drug metabolism. In phase 2, clinical studies are conducted in a larger group of patients with a specific disease in order to confirm the safety of the product and determine the efficacy of the product by researching the optimum dosage and method of administration. In phase 3, comparative clinical trials on a larger scale are conducted in several medical centers, on patients with a specific disease, to obtain sufficient data to complete an acceptable statistical test on the efficacy and safety of the product.

The approval processes are long and expensive and the result is not certain. Approval granted by the regulatory authorities in one country does not guarantee that the product will be approved in another country. Factors influencing the authorization process by regulatory authorities include:

- immunotherapy is an approach that is still in development;
- the regulatory requirements governing immunotherapy, in particular therapeutic vaccines and oncolytic viruses, are uncertain and likely to be modified; and
- the data obtained from preclinical studies and clinical trials may give rise to different interpretations that could delay, limit or prevent approval.

Other risk factors affect the clinical trials themselves:

- the clinical protocols, which describe the objectives of the study and the parameters to be used to measure the safety and efficacy, must be approved by the regulatory authorities in the country in which the clinical studies are being conducted. Further, each clinical study must be approved by each study center's independent ethics committee. In particular, the ethics committee will assess the need for the study, the safety of the people involved in the trial and the potential liability of the medical center.

The ethics committee is also responsible for monitoring the application of the protocols approved for the clinical trials in progress. The ethics committee could demand modifications to a protocol and there is no guarantee that it will authorize a study to commence or continue. This procedure can be conducted at the same time as the approval procedure by the national regulatory authorities however it could cause delays and considerable extra costs in addition to those relating to the regulatory examination procedure. The majority of countries have also put in place special committees that study the protocols using recombinant DNA products before authorizing them for marketing (the Haut Conseil des Biotechnologies in France, the National Institutes of Health's Recombinant DNA Advisory Committee in the United States and the Gene Therapy Advisory Committee in the United Kingdom);

- the recruitment of patients to be included in the trials: trials of the Company's products which are in development are conducted in people with the target disease; the number of patients that can and wish to take part in a clinical trial is limited and recruitment can be difficult and slow. The Company has already been faced with this risk and it could occur again, leading to excessive delays in the implementation of trials. In order to overcome this difficulty, the Company may be required to increase the number of clinical centers, which makes follow-up more complex and increases the cost of the trial;
- it may be difficult to access appropriate clinical sites, preventing trials from starting or being conducted within agreed deadlines;
- at each stage of the product's clinical development, there is a significant risk of failure that could prevent development from continuing: the product may be poorly tolerated, have little or no therapeutic benefit, or even cause serious adverse effects that could result in the banning of the product. The competent regulatory authorities can suspend the clinical trials at any time if they believe that the patients are exposed to unacceptable health risks or if they detect any deficiencies in the clinical trial process or as part of their inspections;
- in the immunotherapy field, to which the Company's products belong, the research of biomarkers (specific characteristics) in patients in order to determine their response to treatment has become essential. Biomarkers identified in this way will be included in the diagnostic tests, called companion diagnostics, which will then accompany the treatment to ensure that the medication is administered to those with the best chance of benefiting from it. The validation of companion diagnostic tests is a completely separate clinical development process that takes place in parallel to the clinical trials with the treatment; it adds a level of complexity and additional costs. It is possible that a biomarker identified *a posteriori* in a clinical trial cannot be validated, meaning that it cannot be confirmed as a tool to predict the benefit of the treatment in patients presenting this biomarker. In this case, the treatment in development may not fulfill the quantitative criteria for positive clinical results required to obtain marketing authorization;
- the cost per patient of clinical trials, particularly in the immunotherapy field, is very high, making later clinical phases (phase 3) particularly expensive in indications that require a large number of patients to obtain proof of therapeutic benefit, for example in the case of lung cancer. These costs may exceed the Company's available cash and it may be required to look for funding through partnerships with pharmaceutical companies in particular. It is not certain that the Company will be able to enter into such partnerships.

If one or more of these risks should occur, this would have a material adverse effect on the Company's business, results, financial position and development.

1.5.1.1.3 Risks related to commercial scale-production

The Company's manufacturing unit does not have sufficient capacity to guarantee commercial-scale production of its products beyond the initial phase. To manufacture the products themselves or have them manufactured, the Company would need to make substantial additional investment to increase its manufacturing capacity or have the products produced by third parties. In this case, the regulatory authorities may require new clinical studies due to the specificities linked to bioproduction. This could result in production delays or the Company may not be able to set competitive prices for its products, which would have a significant impact on its business, results, financial position and development.

The Company uses raw materials from different suppliers in its manufacturing processes; some of the suppliers are the sole source of the material in question. The Company certifies its suppliers in accordance with pharmaceutical Good Manufacturing Practices. If one of the sole-source suppliers should default, the Company must find and certify another source. However, identifying and certifying such a supplier could take several months and their products could not be used in the Company's processes until certification is complete. Moreover, the current volumes ordered by the Company do not allow it to negotiate agreements to guarantee a supply of certain key raw materials from critical certified suppliers. The Company is therefore not able to guarantee that it could obtain supplies from certain critical suppliers, that it can find a second supplier or that it could do so within the appropriate deadlines.

This would have a material adverse effect on its business, results, financial position and development.

1.5.1.1.4 Risks related to the adverse effects of products

The commercial success of the Company's products essentially depends on their acceptance by the public and medical professionals that use immunotherapy products to treat

human diseases. This acceptance may be negatively influenced by adverse effects caused by the products developed by the Company or other companies. These adverse effects could lead regulatory authorities to restrict or ban the use of these products or similar products, thus restricting the potential market for the Company's products.

This would have a material adverse effect on the Company's business, results, financial position and development.

1.5.1.1.5 Risks related to financing the Company's development and business

The Company needs, and shall continue to require, substantial funds to continue its research and development activities, including pre-clinical studies and clinical trials of future products, to establish commercial-scale manufacturing processes and facilities, to expand quality control, regulatory, marketing, sales and administrative capabilities. It shall also require substantial funds to distribute and market any products approved for commercial sale. If the Company is not able to obtain funds or sufficient funds within the required time, it may be required to reduce one or several research and development programs and, if necessary, it may have to completely discontinue its business. The Company's future financial requirements will depend on several elements, including in particular:

- the continued development of research & development programs and the extension of such programs;
- the extent and results of preclinical studies and clinical trials;
- the time and costs required to obtain regulatory authorizations;
- its ability to sign partnerships to continue developing certain products;
- the cost of large-scale production and efficient distribution;
- the deadline, and amounts of payments under its collaboration agreements;
- the deadline, payment and amount of sales and royalties for future products;
- the costs of preparing, filing, defending and maintaining patent applications and other intellectual property rights; and
- the cost of obtaining and maintaining licensing rights to use patented technologies.

The Company has limited funding sources and must finance itself mainly by issuing new shares. Historically, the Company has mainly been financed by its majority shareholder, due to that shareholder's wish to maintain its level of control and interest. Financing the Company by means of future capital increases could be complicated by poor capital market conditions and in the event of a successful funding transaction, shareholders could be exposed to dilution of their interest.

This would have a material adverse effect on the Company's business, results, financial position and development.

1.5.1.1.6 Risks related to historical losses and future losses

The Company has reported operating losses for several years. At December 31, 2014, the accumulated deficit since 1993 amounted to approximately €491 million according to IAS/IFRS standards, as a result of significant investments in research and development programs and the absence of significant revenues (see statement of changes in consolidated equity, page 82). Further substantial losses are expected to be incurred in the future as long as the Company continues its research & development activities and preclinical studies and clinical trials. None of its products has yet to generate sales or revenue. The only sources of revenue expected in the near future would not come from the marketing of products but payments made by partner companies under certain agreements (see Section 1.4.2) and, where applicable, public funding and financial revenue. The Company cannot guarantee that it will generate any revenue from the sale of products that would make the Company profitable in the near future.

This would have a material adverse effect on the Company's business, results, financial position and development.

1.5.1.1.7 Specific risks related to partnerships for the development, manufacture and marketing of products

The Company's strategy in terms of research and development and the commercialization of certain products is based on collaboration agreements with partner companies or third parties (see Section 1.4.2). At the date of this Reference Document, the Company has signed the following agreements for the products it is developing:

- the license option agreement with Novartis signed in March 2010: Transgene granted Novartis an exclusive license option to develop and market TG4010 for the first-line treatment of non-small cell lung cancer and other potential oncology indications. In April 2014, Novartis notified the Company of its decision not to exercise this option. The Company had not found a new partner for the TG4010 product as of the date of this Reference Document was drafted;
- the agreement for the development and marketing of Pexa-Vex signed with Jennerex in August 2010: Jennerex granted Transgene exclusive rights to develop and market Pexa-Vec in Europe, the CIS and the Middle East and the manufacturing rights in its territory. Transgene and Jennerex will co-develop the product globally and Transgene assumes the development costs and is responsible for marketing in its exclusive territory.

At the same time as the partnership agreement, Transgene invested in the capital of Jennerex, with an interest of around 8.5%, which was sold to the South Korean company SillaJen, Inc., in March 2014 as part of SillaJen's acquisition of 100% of the capital of Jennerex. The development and marketing agreement for the oncolytic virotherapy product Pexa-Vec between Transgene and Jennerex, Inc., now a wholly-owned subsidiary of SillaJen, Inc. has been maintained and the partners are actively collaborating on this program. The development and marketing of Pexa-Vec, including in Transgene's territory, could be affected if Jennerex does not fulfill, or is unable to fulfill, its regulatory obligations within its territory or its contractual obligations both to Transgene and third parties.

This would have a material adverse effect on the Company's business, results, financial position and development;

- the collaboration agreement signed with Sanofi in March 2013, for the creation of a new platform for the manufacture of immunotherapy products and in particular Transgene's therapeutic products. The construction phase of this platform was launched at the start of 2014. The platform remains the exclusive property of Sanofi. If the construction is not completed on time, or if the certification and approval of the unit and its equipment are delayed, the platform may not be available for production when Transgene's first product reaches the market.

This would have a material adverse effect on the Company's business, results, financial position and development.

1.5.1.1.8 Dependence on qualified personnel

The Company is very dependent on the quality of its scientific personnel and their management. It faces stiff competition from other companies and academic institutions for the recruitment of qualified personnel. If the Company is unable to attract and retain qualified personnel, its ability to market its products and processes could be hampered or delayed.

This would have a material adverse effect on the Company's business, results, financial position and development.

1.5.1.2 Risks related to the Company's business sector

1.5.1.2.1 Risks related to competition and technological development

The Company is in competition with different companies, including large pharmaceutical or biotechnology companies which develop methods to treat and prevent the same diseases, including more traditional therapies. It could also be in competition with companies who have acquired or could acquire technologies developed by universities or research institutes or other companies. These companies may have, due to the development of their own technology or technologies acquired from third parties, a portfolio of intellectual property rights that could prevent the Company from successfully marketing its products.

Other companies may develop products earlier, obtain approval more quickly or develop products that are more effective or less expensive than those of the Company. Although the Company endeavors to increase its technological capacities to remain competitive, the research and development activities conducted by its competitors could make the Company's products obsolete or not competitive, or they could offer better treatments. Moreover, consumers and professionals could prefer other existing therapies or therapies recently developed by the Company's competitors.

This would have a material adverse effect on the Company's business, results, financial position and development.

1.5.1.2.2 Specific risks related to patents and third party intellectual property rights

The biotechnology industry is a growing sector which generates a very large number of patents. The risk is higher when third parties consider that the Company's products or technologies infringe their intellectual property rights. Discoveries are only published or form part of a patent application months or even years later. The monitoring implemented by the Company to prevent the counterfeit risk may be insufficient due to (i) delays in publishing patent applications (18 months after the filing or priority date), (ii) failure to publish certain patent applications in the United States and (iii) the principle of delivery of the patent or the first to invent and not the first to file in the United States up to the entry into force in March 2013 of the America Invents Act of September 16, 2011. This is why the Company cannot be sure that certain third parties have not been the first to invent products or to file patent applications relating to inventions also covered by their own patent applications or those of their partners. Any dispute or claim against the Company, regardless of the result, could result in substantial costs and compromise its reputation. Some of its competitors who have more resources than the Company may be better able to support the costs of complex proceedings. Any dispute of this type could seriously affect the Company's ability to continue its business. More specifically, intellectual property disputes could force the Company to:

- cease selling or using one of its products that depends on the disputed intellectual property, which could reduce revenues; or
- obtain a license from the intellectual property rights holder; this license may not be obtained under reasonable conditions, or may not be obtained at all.

This would have a significant impact on the Company's business, results, financial position and development.

1.5.1.3 Regulatory risks

The main regulatory risks are as follows:

1.5.1.3.1 Risks related to the Company's regulatory environment

At the date of this Reference Document, none of the Company's products have yet to receive marketing authorization from a regulatory agency. It cannot be certain that it will receive the authorizations necessary to market one of its products. These products are subject to a number of very strict laws and the applicable regulatory requirements are complex and sometimes difficult to apply, and are subject to modifications. The European Medicines Agency (EMA), the U.S. Food and Drug Administration (FDA), and their equivalents in other countries, regulate, among others, research and development, preclinical studies, clinical trials, manufacturing, safety, efficacy, archiving, labeling, marketing and distribution of therapeutic products. In particular, without the authorization of the FDA, it would be impossible for the Company to access the US market, which is the largest pharmaceutical market in the world in terms of value. The regulatory authorization process for new therapeutic products requires the submission of the detailed characteristics of the product, the manufacture and control processes, as well as the preclinical and clinical data and all information required to establish the safety and efficacy of the product for each indication. It may also require studies even after marketing authorization has been granted, as well as controls on the manufacturing quality. These regulatory processes are expensive, may take many more years and the result is unpredictable.

Moreover, the authorities may conduct inspections in order to check that the drug candidate is being developed in accordance with the regulations in force. During an inspection, the authorities could find a significant regulatory deviation, which could delay or stop a development program and, in the worst case scenario, even cause the Company's business to be discontinued.

In Europe, the United States and in other countries, regulations may:

- delay and/or significantly increase the cost of development, testing, manufacture and marketing of the Company's products;
- limit the indications for which the Company would be authorized to market its products;
- impose new and stricter requirements, suspend the authorization of these products, require the discontinuation of clinical studies or marketing if unexpected results are obtained during trials by other researchers on other products similar to those of the Company; or
- impose restrictive labeling.

Finally, if the Company does not respect the laws and regulations governing its activities, it may be subject to sanctions, which could include a refusal to authorize pending applications, product recalls, sales restrictions, temporary or permanent suspension of its operations and civil or criminal proceedings.

The occurrence of one or several of these risks could have a material adverse effect on the business, prospects, financial position, results and development of the Company.

1.5.1.3.2 Specific risks related to obtaining marketing authorization

To obtain marketing authorization for one or several of its products, the Company or its partners, must show the competent regulatory authorities the pharmaceutical quality of its products, their safety for use and efficacy in the targeted indications. Even if the Company is not immediately concerned by marketing authorization issues, a marketing authorization file is maintained throughout the entire development of a drug candidate and the Company works to constantly respect the good practices in order to not jeopardize its chances of obtaining future marketing authorizations under favorable terms.

The Company's ability to obtain marketing authorization will depend on several factors, in particular:

- its ability to continue the development of products which are, at the date of this Reference Document, in early clinical phases or move its products which at the date of this Reference Document are in preclinical development to the clinical stage;
- the ability of its partners or the Company itself can complete clinical trials successfully and within given deadlines, and with the human, technical and financial ressources initially planned;
- the fact that these products are authorized or not for another indication which already has marketing authorization; and
- the fact that its competitors do not announce clinical results likely to modify the evaluation criteria used by the competent regulatory authorities.

If the Company does not obtain marketing authorization, it will not be able to market its product. Moreover, the product may not to be granted marketing authorization in a given geographical area, which could significantly restrict marketing.

The occurrence of one or several of these risks could have a material adverse effect on the business, prospects, financial position, results and development of the Company.

1.5.1.3.3 Risks related to the development of drug reimbursement policies

The ability of the Company to market its products successfully will depend in part on the setting by public authorities, private insurers and other bodies in Europe and the United States of sufficient reimbursement rates for the drugs and the corresponding treatments. The third party paying sector increasingly questions the price of therapeutic products and medical services. Cost control measures that healthcare providers and drug reimbursement agencies put in place and the effect of possible reforms of healthcare systems could

have a negative impact on the Company's operating income. Accordingly, it may not obtain sufficient reimbursement for its products, which would affect their acceptance on the market, in which case it would be unable to generate sufficient return on its research and development investments.

The occurrence of one or several of these risks could have a material adverse effect on the Company's business, prospects, financial position, results and development.

1.5.2 Other risks

1.5.2.1 Financial risks

Financial risks are also discussed in Note 21 to the consolidated financial statements.

1.5.2.1.1 Foreign exchange risks

The Company publishes its consolidated financial statements in euros. However, a portion of its revenue and expenses is accounted in foreign currencies, principally US dollars. An increase or decrease in the euro exchange rate relative to the US dollar could impact operating results.

The Company has US dollar bank accounts. Net dollar disbursements totaled US$ 2.3 million in 2014.

The following table shows the sensitivity of the Company's expenses at a 10% change in the US dollar rate during the years ended December 1, 2013 and 2014 (before tax and any hedging):

	December 31	
(in € thousands)	**2014**	**2013**
Expenditures denominated in US dollars	2,293	9,948
Equivalent in euros on the basis of an exchange rate of € 1 = US$1.3214	1,735	7,463
Equivalent in euros in the event of an increase of 10% USD vs. EUR	1,909	8,209
Equivalent in euros in the event of a decrease of 10% USD vs. EUR	1,562	6,717

The Group's foreign exchange position as at December 31, 2014 is as follows:

(in € thousands)	**USD**
Assets	6,300
Liabilities	648
Net position	5,652
Adjusted	5,652
Off-balance sheet position	-

1.5.2.1.2 Interest rate risk

The Company is exposed to market risks related to interest rates on its finance lease liability and cash investment in mutual funds.

The Company holds a variable market-rate liability as part of a finance lease on its main building, a mixed-use property of offices and laboratories.

Twenty-five percent of the 15 year, €16 million contract consists of reimbursable advances made by local authorities at very low interest rates. The lease payments began on January 1, 2009. A 1% rise in the 3-month Euribor would cause a yearly increase in financial expense of €120 thousand. In the first half of 2009, the Company placed a partial hedge on the interest rate risk related to this financing, as follows:

Nominal value	€5.9 million (depreciable)
Hedging instrument	Interest rate swap
Residual maturity	9 years
Underlying interest rate	3-month Euribor
Fixed rate	3.46%

As the hedge is adequate, changes in the instrument's market value are recognized at net value. At December 31, 2014, the market value of this hedging instrument was less than €659 thousand.

The Company also has variable market rate liabilities under finance leases financing laboratory equipment. At December 31, 2014 the total obligation under these contracts was €499 thousand.

1.5.2.1.3 Liquidity risk

The Company undertook a special review of its liquidity risk and concluded that its liquidity reserves as of December 31, 2014 would enable it to finance its current operating costs for the next 18 months after December 31, 2014 (see Note 2 to the consolidated financial statements).

On March 25, 2014, the Company announced that a total of €65.5 million was raised via a capital increase in two steps:

- a capital increase with preferential subscription rights launched on February 28, 2014, which raised gross proceeds of €45.5 million;
- a private placement completed on March 24, 2014, to respond positively to requests by a number of qualified investors, many of whom were foreign, for 2,000,000 additional shares acquired at a price of €10 per share, which raised €20 million.

Because of these capital increases, the Company believes that, as of the date of this Reference Document, it has sufficient reserves of liquidity to finance its operating expenses until about mid 2016, assuming no new partnership is signed to replace the one with Novartis that the latter terminated. Putting TG4010 into phase 3 depends upon such a partnership.

The Group controls the risks related to cash management through centralized tracking and approval procedures. Cash assets are invested in highly rated marketable securities.

Cash, which is invested in very short-term money market funds or at market conditions in the cash pooling managed by the Institut Mérieux, stood at €65.9 million. The Company needs, and shall continue to require, substantial funds to continue its research and development activities, including pre-clinical and clinical testing of future products, further development of manufacturing processes and accessing industrial- and commercial-scale manufacturing, and enhancing its quality control and its regulatory, marketing and administrative capabilities. It shall also require substantial funds to manufacture and market any products approved for commercial sale.

The Company has limited access to debt due to the Group's losses and the high-risk nature of the business sector (pharmaceutical research and development) in which it operates. The Company plans to finance operations mainly through equity until its profitability situation changes such that it has access to debt instruments.

1.5.2.1.4 Equity risk

Like many other biotechnology companies, the Company's stock price is especially volatile. In addition to the risks described in this Chapter, the following factors among others could have a significant influence on the stock price:

- reactions to reported performance and to the reports of financial analysts; and
- more broadly, market conditions affecting biotechnology shares.

The Company holds no equity in publicly-traded companies, and its cash is invested primarily in short-term money market funds, which are not exposed to stock market risks.

1.5.2.2 Legal risks

Neither the Company nor the Group are currently party to a significant legal dispute, with the exception of a proceeding brought by an employee of the Company before the Strasbourg labor relations court (*Conseil des Prud'hommes*),

for which an accounting provision of €125 thousand has been made in the Company financial statements for the period ended December 31, 2014. See also Section 1.5.2.3. "Legal and arbitration proceedings" in this Reference Document.

1.5.2.2.1 Risk related to patents

The success of the Company will depend in part on its ability to obtain patents for its products and processes so that it can enjoy the exclusive use of its inventions. Its success will also depend upon its ability to prevent other parties from using its intellectual property. Furthermore, the Company must conduct on its business without infringing the intellectual property rights of others. Failing this, it might be unable to successfully commercialize its products.

Transgene has filed and plans to continue to file numerous patent applications for various aspects of its operations (such as viral vectors and methods for preparing and administering them, genes and gene combinations, monoclonal antibodies and biomarkers). The Company believes that these patent applications cover, in some cases, important technologies for the future of its products and predate those of its competitors. However, due to the length of the application review process, particularly in the biotechnology area, when an application will be awarded or rejected cannot be foreseen. Neither can there be any certainty whether a given application will result in a patent, nor, if a patent is granted, whether owning it will give the Company a competitive advantage or will be contested or overturned.

The Company's situation with regard to patents, like that of all biotechnology and pharmaceutical companies, is especially uncertain. The standards used by the European Patent Office (EPO), the United States Patent and Trademarks Office (USPTO) or other patent offices to award patents are not always applied in a predictable way and can change. In addition, there is no uniform worldwide policy as to these rights, to the extent of applications made or sought in terms of biotechnology patents or on the amount of protection offered to patent holders.

Transgene believes that several elements in its program involve a technology, process, know-how and data (including culture and production processes and purification technology) which are not patentable.

With regard to technologies, know-how and data that are not patentable or are only potentially patentable, and to processes, other than production processes, for which patents would be difficult to enforce, Transgene has chosen to protect its interests by relying on non-disclosure agreements with its employees, consultants and certain contractors. All its employment contracts contain non-disclosure provisions. These non-disclosure agreements may not provide sufficient protection and may be broken. In that event, the Company believes that there is no satisfactory remedy possible. Its manufacturing secrets may be revealed or independently exploited by its competitors.

The occurrence of one or more of these risks could have a material adverse effect on the operations, outlook, financial condition, earnings and development of the Company.

1.5.2.2.2 Risk specifically related to patent proceedings

Obtaining and protecting intellectual property rights can be costly. After the United States adopted the "first to file, first to invent" rule, two challenges were brought, as had been done in Europe. These proceedings, though shorter and simpler than the previous interference proceeding, which determined the first to invent when patents claimed the same invention, still remain very expensive, particularly for the work of law firms specializing in U.S. law.

In Europe a challenge before the European Patent Office (EPO) allows anyone to contest the validity of a patent awarded by the EPO, and that patent may be revoked or its scope restricted. The challenge is an administrative proceeding, not a legal one.

As of the date of this Reference Document, the Company is involved in several challenges before the EPO to the patents of third parties, as described below:

- on August 28, 2008, with three other challengers concerning a patent awarded by the EPO to Bavarian Nordic covering an MVA production process. The oral proceedings took place June 23, 2010. The patent was upheld in an amended form. An appeal was filed in September 2010 by the patent holder as well as by two challengers, including Transgene;
- on January 23, 2009, with four other challengers concerning a patent awarded by the EPO to Bavarian Nordic covering a culture medium for MVA production. The oral proceedings took place January 26, 2011. The patent was upheld in an amended form. An appeal was filed in May 2011 by the patent holder as well as by two challengers, including Transgene.

An unfavorable outcome of an interference contest or of a challenge to one of the Company's patents or by the Company to the patent of another party (like those cited above) could strip the Company of protection of its own products or oblige it to cease using the technology in question or seeking licensing fees from other parties. The Company's business could be affected if a party with priority did not offer a licensing arrangement or offered such rights on terms unacceptable to the Company.

This could also oblige the Company to license the disputed rights from an outside party. Its business would be affected if it could not obtain a license or could only obtain one under conditions that it found unacceptable. The same would hold if it were unable to redesign the products or processes so as to avoid being sued for infringement.

The occurrence of one or more of these risks could have a material adverse effect on the operations, outlook, financial condition, earnings and development of the Company.

1.5.2.2.3 Product liability risks

The Company is exposed to product liability and to other claims if its processes are challenged. These risks are inherent to the design, manufacturing and marketing of therapeutic products for humans. The Company is also liable for products it produces for outside parties. If it were sued for damages on account of its products or processes, its liability might exceed

the coverage provided by its insurance policies and threaten all of its assets.

This would have a material adverse effect on the operations, earnings, financial position and development of the Company.

1.5.2.2.4 Risks related to the use of products hazardous to health and the environment

The Company's research and development activities, preclinical studies and clinical trials require the controlled storage, use and disposal of hazardous materials, both chemical and biological. The Company is subject to laws and regulations relating to the use, manufacture, storage, handling and disposal of materials and waste. Even though it believes that its safety procedures for the handling and disposal of these hazardous materials comply with legal and regulatory standards, the risk of contamination or accidental injury caused by these hazardous materials cannot be completely ruled out. In the event of an accident, it could be held liable for all consequent harm, and its liability could exceed the limits of its insurance policies or not be covered. It might be unable to maintain its insurance coverage on acceptable terms or possibly at all. It might have to bear significant expenditures in order to comply with present or future provisions of environmental law. As of the date of this Reference Document, the Company has not made a special accounting provision for health and environmental risks.

The occurrence of one or more of these risks could have a material adverse effect on the operations, outlook, financial condition, earnings and development of the Company.

1.5.2.3 Legal and arbitration proceedings risk

In the ordinary course of its business, the Company is involved or risks being involved in some number of administrative or legal proceedings. As part of some of these proceedings, financial claims are or may be made against the Company.

One proceeding has been brought by employees against the Company before the Arbitration Tribunal of Strasbourg, under which the Company recorded a total provision of about €125 thousand. Otherwise, there are to date, to the knowledge of the Company, no exceptional act or governmental, legal or arbitration proceedings (including any proceedings of which the Company is aware or are pending or threatened) that may have or have had, in the last twelve months, a material effect on the financial position or profitability of the Company and/or Group.

1.5.3 Insurance and risk hedging

The Company has adopted a policy of covering its main insurable risks with amounts of coverage it deems compatible with its cash usage requirements. Total premiums paid for all insurance policies in force in 2014 was €281 thousand (versus €284 thousand in 2013 and €305 thousand in 2012.) These policies carry low deductibles. In the absence of a claim by the Company or indicators of claims made in the same business sector, the Company is not in a position to determine the rate of risk coverage offered by these insurance policies and the portion of risk carried by the Company, particularly as to civil liability.

The Company carries several policies, the primary ones being:

- a so-called "multi-risk" or comprehensive policy that covers the traditional hazards of fire, water damage, theft and machine breakdowns in its facilities, with maximum coverage of €36 million. This policy also covers business interruption with maximum coverage of €20 million. Given the absence of significant revenues for the Company, this coverage is intended to enable it to resume work in progress that may have been destroyed by a hazard and to support its general and administrative and operating expenses for one year. The Company has in place limited procedures for safeguarding its original biological materials and its computer data;
- a "civil liability" policy which insures the civil liability of the Company and its agents that arises from its operations, along with its product liability, with an annual ceiling of €10.7 million. In addition, the Company's liability for clinical trials is covered by special contracts attached to the civil liability policy, the premiums and coverage of which depend on local regulations governing the clinical investigation site in question. In France, for example, the Public Health Code requires the sponsors of clinical trials to carry insurance and specifies the terms of such insurance. The total premiums paid and coverage taken out for trials therefore depends on the number of trials and where they occur.

The Company has also taken out insurance for the civil liability of its senior managers in the event that action is brought against it in the performance of their duties, with an annual total ceiling of €15 million.

Since not all risk can be totally insured, the occurrence of any of the risks covered by the aforementioned insurance could, despite the insurance, have a significant impact.

1 PRESENTATION OF TRANSGENE AND ITS ACTIVITIES

2

CORPORATE GOVERNANCE

2.1 SUPERVISORY AND EXECUTIVE BODIES

2.1.1 Membership of supervisory and executive bodies

2.1.1.1 Composition

2.1.1.1.1 Board of Directors

Transgene is governed by a Board of Directors consisting as of the date of this Reference Document of ten members, six of whom qualify as independent directors. The directors' term of office is three years. Each independent director must own at least the number of shares equal in value to one half-year of directors' fees. The table below (on the following pages) summarizes the terms and responsibilities of the members of the Board of Directors.

The tables below summarize the terms and positions of the Directors of the Board:

PHILIPPE ARCHINARD

Chairman and Chief Executive Officer - Director

Age: **55**
First appointed: **2004**
Term expires[1]: **2017**
Number of Company shares owned: **6,500**
Number of Company options owned: **195,930**

Main responsibility outside the Company:
Director, Immunotherapy Division, Institut Mérieux

Experience and expertise in management:
Graduate of management program at Harvard Business School,
Chairman of bioMérieux, Inc.[3][5]
Deputy CEO of bioMérieux SA[3][4]
CEO of Innogenetics BV[5]

Other offices held as of December 31, 2014:
Permanent representative of TSGH(3) on Board of ABL, Inc.[3][5]
Representative of Lyon Biopôle on the Boards of FINOVI, an association, and Synergie Lyon Cancer, a foundation
Director: bioMérieux SA[3][4]; ERYtech Pharma[4]
Chairman: Association Lyon Biopôle[6]
Chief Executive Officer: TSGH[3]
Vice Chairman: Association BioAster[6]

JEAN-LUC BÉLINGARD

Director

Age: **66**
First appointed: **2013**
Term expires[1]: **2016**
Number of Company shares owned: **0**
Number of Company options owned: **0**

Main responsibility outside the Company:
Chairman & CEO of bioMérieux SA[3][4]

Other offices held as of 12/31/2014:
Director of: LabCorp of America[5] Stallergenes[4], Pierre Fabre SA, Institut Mérieux[3]

Offices held over the past five years:
Director of NicOx (end 2011), Celera Corporation (USA) (end 2011), AES Laboratoire Groupe SA (end 2012)
Chairman & CEO of IPSEN (end 2010), AES Chemunex SA (ended 12/31/2013)

(1) The directors' terms expire on the date of the Annual General Shareholders Meeting held in the year indicated to approve the financial statements for the year ended on the 31st day of December preceding the meeting.

(2) Independent director per the following criteria (MiddleNext Code of Corporate Governance):
- *is not an employee or executive corporate officer of the Company or a company in its Group (the Company and its subsidiaries), and has not been in the last three years;*
- *is not the Company's leading shareholder;*

JEAN-PIERRE BIZZARI

Independant director[2]

Age: **60**
First appointed: **2008**
Term expires[1]: **2016**
Number of Company shares owned: **5,000**
Number of Company stock options owned: **0**

Main responsibility outside the Company:
Executive Vice-President Clinical Development of Celgene[5]

Experience and expertise in management:
Medical doctor
30 years of clinical expertise in oncology (held positions directing clinical development)

Other offices held:
Member of the International Scientific Committee of the Institut National du Cancer

ARNAUD FAYET

Independant director[2]
Member of the Audit Committee (chairman)

Age: **73**
First appointed: **2000**
Term expires(1): **2016**
Number of Company shares owned: **5,501**
Number of Company stock options owned: **0**

Main responsibility outside the Company:
Sits on Corporate boards

Experience and expertise in management:
Member of the Executive Committee of Wendel Investissements since 1995
Was CEO, Vice-Chairman and Director of Carnaud Metalbox
Graduate of the École Centrale de Paris
Holds an MSA from Standford University

Other offices held:
Director: Vaucrains Participations

BENOÎT HABERT

Independant director[2]
Member of the Audit and Compensation Committees (chairman)

Age: **50**
First appointed: **2000**
Term expires[1]: **2017**
Number of Company shares owned: **74,403**
Number of Company stock options owned: **0**

Main responsibility outside the Company:
Deputy Managing Director and Director of Groupe Industriel Marcel Dassault (GIMD) (SAS)
Chairman of Dassault Développement (SAS)*

Experience and expertise in management:
Holds an M.B.A. from INSEAD and a masters degree in business law

Other offices held:
Chairman: Habert Dassault Finance Dassault Développement (SAS)
Director: Groupe Figaro (SAS)*; Dassault Medias (SA)*;
Merieux Nutriscience Corp (USA); Figaro classifieds (SA)*; Editions Dupuis[5];
Dargaud (SA); ZEWAOW (SAS) Eclosion[5]; KTO TV[6]; Fondation KTO[6]
Non-voting observer: Relaxnews (SA); UNOWHY (SAS)
Member of the Supervisory Board: John Paul (SAS)
Member of advisory committee: Cooltech applications (SAS)*

Offices held over the past five years:
As a permanent representative of GIMD: bioMérieux SA[3][4]; Silliker[3];
Sport 24 (SA), Intigold[5]
*Controlled by GIMD.

- *is not a customer, supplier or significant banker of the company or its group or for whom the company or its group accounts for a significant portion of the business;*
- *has no close family tie with a Corporate Officer or a leading shareholder;*
- *has not been an outside auditor of the Company during the last three years.*

(3) Company in the Institut Mérieux group.

(4) Publicly-traded French company.

(5) Foreign corporation.

(6) Association, foundation or other.

PIERRE-PATRICK HURTELOUP

Independant director[2]
Member of the Compensation Committee

Age: **65**
First appointed: **2005**
Term expires(1): **2017**
Number of Company shares owned: **390**
Number of Company stock options owned: **0**

Experience and expertise in management:
Chairman of a variety of companies in the Pierre Fabre Group since 2000
Medical Director, Pierre Fabre Oncologie

Other offices held:
Chairman and director: Pierre Fabre Ltd;
Concept Pharmaceuticals International Ltd[5]; Pierre Fabre Médicament Benelux[5]; Pierre Fabre Farmaka AE[5] – Greece; Pierre Fabre Pharma Norden AB[5] – Sweden; Tema Medical Pty Ltd[5] South Africa

JEAN-FRANÇOIS LABBÉ

Independant director[2]

Age: **64**
First appointed: **2010**
Term expires[1]: **2016**
Number of Company shares owned: **400**
Number of Company stock options owned: **0**

Main responsibility outside the Company:
Senior executive, executive corporate officer

Experience and expertise in management:
Graduate of HEC
35 years experience in financial management of pharmaceutical companies, in France and internationally
Managing Director of SpePharm Holding BV (Netherlands)
Founder of specialty pharmaceutical companies (OTL, SpePharm)

Other offices held:
Director: NicOx SA[4]

Offices expired:
Supervisory Board of Cavadis BV (Netherlands) (2010)
Chairman of the Supervisory Board: Libragen SAS

ALAIN MÉRIEUX

Director

Age: **76**
First appointed: **1991**
Term expires[1]: **2017**
Number of Company shares owned: **100**
(excluding 19,987,011 shares held by TSGH, a subsidiary of Institut Mérieux, ultimately controlled by the family of Mr. Mérieux)
Number of Company stock options owned: **0**

Main responsibility outside the Company:
Chairman & CEO of Institut Mérieux (SA)

Experience and expertise in management:
Graduate of Harvard Business School (1968)
Chairman of bioMérieux from 1965 to 2011

Other offices held:
Chairman: Compagnie Mérieux Alliance SAS, Fondation Mérieux[6],
Director: bioMérieux (SA)[3][4], CIC Lyonnaise de banque;
Cie Plastic Omnium SA[4]; Mérieux Nutrsciences[3][5] (USA),
of Bio Mérieux Italia SpA[3][5] (Italy)
Director and Chairman ex officio: Fondation Christophe et Rodolphe Mérieux[6] - Institut de France, Fondation Mérieux (Chairman)
Director of these foundations: Pierre Fabre, Pierre Vérots, foundation for the Université de Lyon (Chairman)

Offices expired:
Université Claude Bernard Lyon CENTAURE (end 2012);
Synergie Lyon Cancer (Canceropôle) *(end 2012),* École Vétérinaire de Lyon (end 2013) Chairman; Institut de Recherche Techonologique BioAster

(1) The directors' terms expire on the date of the Annual General Shareholders' Meeting held in the year indicated to approve the financial statements for the year ended on the 31st day of December preceding the meeting.

(2) Independent director per the following criteria (MiddleNext Code of Corporate Governance):
- *is not an employee or executive corporate officer of the Company or a company in its Group (the Company and its subsidiaries), and has not been in the last three years;*
- *is not the Company's leading shareholder;*

TSGH

Director

17, rue Bourgelat 69002 Lyon
First appointed: **2002**
Term expires[1]: **2017**
Number of Company shares owned: **19,987,011**
Number of Company stock options owned: **0**

Main responsibility outside the Company:
Director of ABL, Inc.

Represented by: DOMINIQUE TAKIZAWA

Permanent representative of TSGH[4]
Member of the Audit Committee

Age: **58**
Ms. Takizawa owns no Company stock or options.

Main responsibility outside the Company:
Corporate Secretary of Institut Mérieux (since 2006)

Experience and expertise in management:
Graduate of the École des Hautes Études Commerciales and degreed in accounting
Corporate Secretary of bioMérieux[3][4] (2004-2006)
CFO and Controller at Institut Mérieux, Mérial and Aventis Cropscience

Other offices held:
Director: ABL, Inc. (USA), ADOCIA, April;
Mérieux Nutrisciences Corporation[3][5] (USA), Lyon Pôle Bourse[6],
Lyon Place Financière et Tertiaire[6]

Offices expired:
MACSF (mutual insurance) (end 2010), Avesthagen (end 2011)

LAURENCE ZITVOGEL

Independent director

Age: **51**
First appointed: **2013**
Term expires[1]: **2016**
Number of Company shares owned: **469**
Number of Company stock options owned: **0**

Main responsibility outside the Company:
Professor of Immunology/Biology at Université Paris Sud and Oncologist-Researcher-Immunotherapist at Institut Gustave Roussy,
Director of Research at INSERN (U1015)
Co-director of IGR/Curie/INSERM clinical investigations center

Experience and expertise in management:
Medical doctor
Director of Research and Unit Director at INSERM (co-certified by the Ligue contre le Cancer) and Co-Director of the IGR/Curie/ INSERM biotherapies clinical investigations center

Other offices held:
None

- *is not a customer, supplier or significant banker of the company or its group or for whom the company or its group*
- *accounts for a significant portion of the business;*
- *has no close family tie with a Corporate Officer or a leading shareholder;*
- *has not been an outside auditor of the Company during the last three years.*

(3) Company in the Institut Mérieux group.

(4) Publicly-traded French company.

(5) Foreign corporation.

(6) Association, foundation or other.

As far as the Company is aware:

- there are no family ties among the members of the Board;
- none of its members has been found guilty of fraud in the past five years;
- no member has been associated, as the member of a supervisory, executive or oversight body or as the Chief Executive Officer, with any insolvency, bankruptcy or liquidation proceedings,
- no member of the Board of Directors has been prohibited by a court in the past five years from acting as a member of a supervisory, executive or oversight body or from being involved in the management of a Company or conducting its business; and
- no criminal judgment and/or official public sanction has been made against a member of the Board of Directors of the Company by the statutory or regulatory authorities, including the appropriate professional organizations.

No member of the Board of Directors was elected by the employees. Two employees, including one representative of the managerial personnel, represent the Works Council and participate in the meetings of the Board of Directors.

2.1.1.1.2 Executive Committee

The following table gives the names of those on the Transgene Executive Committee, their current positions in the Company and the date they assumed those duties.

Surname	Age	Current positions	Length of service
Philippe Archinard	55	Chairman and Chief Executive Officer	2004
Éric Quéméneur	51	Deputy CEO	2014
Nathalie Adda	49	Vice President, Director of Medical and Regulatory Affairs	2012
Christophe Ancel	51	Qualified Pharmacist - Vice President, Quality Deputy CEO	2014
Jean-Philippe Del	35	Vice President, Finance	2014
Thibaut du Fayet	47	Vice President, Strategic Alliance and Project Management, and Marketing	2008
Colin Freund	44	Vice President, Business Development	2013
Patrick Mahieux	50	Vice President, Industrial and Pharmaceutical Operations	2010
Hemanshu Shah	54	Vice President, Medical Affairs	2014

Philippe Archinard was appointed Chairman and Chief Executive Officer of Transgene on June 17, 2010; he had been CEO since December 6, 2004. Previously he had been CEO of Innogenetics from March 2000. From 1985 to 2000, he held various positions at bioMérieux, including management of bioMérieux, Inc. in the United States. He is a chemical engineer and has a doctorate in biochemistry from the University of Lyon, and supplemented his education with a management program at the Harvard Business School. He is Chairman of the Lyon competitiveness cluster, Lyon Biopôle.

Eric Quéméneur joined Transgene in September 2014 as Deputy CEO, in charge of Research and Development. Before joining Transgene he served as Director of Programs and Reclamation in the Life Sciences Department of the CEA, after a 20-year career in that organization. His responsibilities included managing the Research and Development programs and transferring them into applications, leading multi-disciplinary teams and developing national and international alliances. He is a biochemical engineer, INSA Lyon (1986), with a Doctorat des Sciences, a D.U. degree in Industrial Pharmaceuticals from Université Claude Bernard Lyon 1 and a Certificate in Research Management from Université Pierre et Marie Curie – Paris VI. He is the author of some 80 publications in international scientific journals.

Nathalie Adda joined Transgene in November 2012 Vice President Medical and Regulatory Affairs. Ms. Adda is a medical doctor, a graduate of the Faculté de Médecine, Paris VII with a specialization in infectious diseases. She also holds a master's in bio-statistics. Ms. Adda has over 15 years of experience in the United States in the pharmaceutical industry in clinical development, from the earliest phases to the marketing authorization for new products. From 2006 to 2012 she served as Senior Medical Director at Vertex Pharmaceuticals in Cambridge, MA (USA), where she was responsible for clinical development and the registration application for Telaprevir, a medication approved in 2011 in the United States and Europe for the treatment of chronic Hepatitis C. Prior to that, she held a series of similar positions in clinical development at Gilead as Associate Medical Director as well as at Triangle Pharmaceuticals and Boehringer Ingelheim.

Christophe Ancel joined Transgene in 2008 as Head of Quality Assurance, and then as Director of Operational Quality. Previously he worked as a quality consultant to a variety of international pharmaceutical laboratories. From 2001 to 2005 he was Quality Manager, Deputy Pharmacist and acting Chief Pharmacist at the French production plant of E. Lilly. In 2001 he was Quality Manager and acting Chief Pharmacist at a

Cardinal Health plant. From 1992 to 2000, he worked at Alcon Laboratories in the quality area and was Deputy Pharmacist at their production site. His various professional experiences have led him to work in an international settings of sterile product manufacturing and marketing. Christophe Ancel has a doctorate in Pharmacology.

Jean-Philippe Del became Transgene's Vice President, Finance and a member of the Executive Committee in 2014. Before that, he had been Director of Administration and Finance. He joined the Company in 2005 and oversaw the management control system, accounting and purchasing. Before joining Transgene, he was a financial auditor at Mazars and began his career in 2001 as a financial controller at Brasseries Kronenbourg. Mr. Del holds a DESCF degree and is a finance and accounting graduate of Université de Strasbourg.

Thibaut du Fayet joined Transgene in 2008. He is in charge of the Company's Business Development, Alliance Management and Marketing. From 2007 to 2008, he headed up marketing at Stallergenes after holding various Strategy and Business Development positions at bioMérieux from 2003 to 2007, and Rhodia/Rhône-Poulenc from 1999 to 2003. His diverse experience in industry was preceded by six years working as a consultant, at Bossard Consultant/Gemini Consulting. Mr. du Fayet has his MBA from ESSEC school of management and an MA in international finance from Brandeis University in Boston, MA (USA).

Colin Freund joined Transgene in October 2013. He was previously Senior Vice-President and Director of Business Development at Agennix AG (2009-2013). From 2002 to 2009 he was Senior Vice-President , Business Development at GPC Biotech AG. Before that he was Vice-President , Business Development at Double Twist, Inc., in Oakland, CA (USA). At that time he was responsible for alliances with genomic and proteomic companies.

Before joining Double Twist, he was a project manager at Boston Consulting Group in San Francisco and London, where he led assignments in healthcare and advanced technologies. Mr. Freund has a Bachelor of Arts in Economics and Management from Cambridge University in Great Britain and an MBA from Stanford University in the United States.

Patrick Mahieux joined Transgene in Novembre 2010 to lead Industrial and Pharmaceutical Operations. He began his professional career at Pasteur Mérieux in 1993 and went on to various positions in the Sanofi Aventis Group, including as Director of Major Production Plants. From 2006 to 2010, he served as the Guerbet Group's Director of Pharmacy. Mr. Mahieux is a doctor of pharmacy and holds a DEA in Pharmaco-technics and Bio-Pharmacy. He is an advisor to the Chairman of the A3P Association.

Hemanshu Shah joined Transgene in May 2014 as Director of Medical Affairs. He has over 25 years of experience acquired in various functional and therapeutic fields in the pharmaceutical and biotechnology industries, particularly oncology. Before joining Transgene, he was Global Vice-President of Marketing and Head of the Infectious Diseases Therapeutic Area, Transplantation, Immunology and Dermatology at Astellas (2012-2014). Before Astellas, he was Head of Operations at AROG Pharmaceuticals (2010-2011), Business Director at Innate Pharma (2008-2010) and Vice-President for Commercial Operations at GPC Biotech (2003-2008). Mr. Shah was Global Sales Manager for oncology at Johnson & Johnson (2002-2003) and held various management jobs at Bristol-Myers Squibb (1988-2002). He holds a doctorate in pharmaceutical science from Rutgers University and an MBA from the State University of New York (Buffalo).

2.1.1.1.3 Dates and expiration of terms

See Section 2.1.1.1.1. Supervisory, executive, and oversight bodies (table of directors).

2.1.2 Functioning of supervisory and executive bodies and conflicts of interest

2.1.2.1 Service contracts between the issuer and the members of the Board of Directors

There are no service contracts linking any member of the Board of Directors to the Company or to any of its subsidiaries and providing benefits.

2.1.2.2 Conflicts of interests at the level of supervisory, executive, and oversight bodies

No director has indicated there was any agreement with a major shareholder, customer or supplier of the Company pursuant to which they may have been selected as a corporate officer.

As of the date of this Reference Document, and to the Company's best knowledge, there is no current or potential conflict between the private interests of the members of the Board of Directors or of the Company's management and the interests of the Company.

Jean-Luc Bélingard, a director of the Company, is also Chairman and Chief Executive Officer of bioMérieux SA, of which the Institut Mérieux held 58.90% of the capital as of December 31, 2014. Institut Mérieux holds 98.66% of the capital and voting rights in TSGH SAS, which itself owns, as of the date of this Reference Document. 51.99% of the capital and 66.3% of the voting rights in the Company. Philippe Archinard, Chairman and CEO of the Company, is also a director of bioMérieux SA and owns 1.34% of the capital in TSGH.

2.1.2.3 Statement about administrative and executive bodies

To the Company's knowledge as of the date of this Reference Document, there is no family connection between the members of the Board of Directors and the Company's senior management. Neither is there, as far as the Company is aware, as of the date of this Reference Document, any arrangement or agreement made between the major shareholders, customers, suppliers or others, apart from those listed in Note 17 to the consolidated financial statements in this Reference Document.

Moreover, to the Company's knowledge as of the date of this Reference Document, no member of the Board of Directors has been:

- convicted for fraud in at least the past five years;
- associated, as an executive or company officer, with any insolvency, bankruptcy or liquidation proceedings in at least the past five years;
- incriminated in or been officially and publicly sanctioned by statutory or regulatory authorities in at least the last five years.

Finally, to the Company's knowledge as of the date of this Reference Document, no directors have been disqualified by a court from acting as a member of an administrative, management or supervisory board of an issuer or from acting in the management or conduct of the affairs of any issuer within at least the past five years.

2.1.3 Special committees

The Audit Committee, consisting of Messrs. Fayet (Chairman of the committee) and Habert, both independent directors, and Ms. Takizawa, the working methods of which are described in Section 2.3, examined the following points among others during the 2014 fiscal year:

- review of the consolidated and parent company financial statements for the 2013 fiscal year;
- review of the consolidated financial statements of the first half of 2014;
- review of the 2014 budget;
- setting of the fees paid to the Statutory Auditors;
- prior review of the financial press releases;
- setting of the cash investment policy and monitoring of performance; and
- review of the financial risks and hedging policy.

In addition, the members of the Audit Committee also participated in the work of an ad hoc committee known as the "Finance Committee", which met on several occasions during the second half of 2013 and worked out the Company's financial strategy, which was debated and adopted by the Board of Directors. This strategy resulted in March 2014 in a capital increase with preferential subscription rights for shareholders and a private placement of stock that raised €65.5 million.

The Compensation Committee, consisting of Messrs. Habert (Committee Chairman) and Hurteloup, both independent directors, whose working methods are described in Section 2.3 examined, among other subjects, the compensation of senior management and the Executive Committee during 2014; reviewed the Company's general compensation policy, including yearly bonuses, and held important discussions with a view to creating a way for members of the Executive Committee and a category of managers to share in the increased value of the Company. This plan was put into effect in 2014.

2.2 COMPENSATION AND BENEFITS TO SENIOR EXECUTIVES AND BOARD MEMBERS

2.2.1 Compensation paid to corporate officers

The following tables present the information about the compensation of corporate officers in accordance with the AMF recommendation.

In 2014, the Company paid no compensation to Mssrs. Bélingard and Mérieux, nor to TSGH and its permanent representative (Dominique Takizawa). Philippe Archinard received from Institut Mérieux gross compensation of €889.6 thousand (including €450 thousand in variable compensation and €9.7 thousand in in-kind benefits (a vehicle), partly reinvoiced to the Company through a contract for services rendered by the Institut Mérieux (see Note 18 to the annual financial statements). Alain Mérieux received from Institut Mérieux gross compensation of €367.8 thousand (no variable compensation and no in-kind benefits.)

Table 1

SUMMARY OF THE COMPENSATION, STOCK OPTIONS AND SHARES GRANTED TO EACH EXECUTIVE CORPORATE OFFICER

(in € thousands)	FY 2013	FY 2014
PHILIPPE ARCHINARD, CHAIRMAN & CEO		
Compensation due for the period *(detailed in Table 2)*	72.2	72.2
Value of options granted during the year *(detailed in Table 4)*	None	None
Value of performance stock granted during the year *(detailed in Table 6)*	None	None
TOTAL	**72.2**	**72.2**
CHRISTOPHE ANCEL, QUALIFIED PHARMACIST, DEPUTY CHIEF EXECUTIVE OFFICER (SINCE JANUARY 2014)		
Compensation due for the period *(detailed in Table 2)*	None	112
Value of options granted during the year *(detailed in Table 4)*	None	None
Value of performance stock granted during the year *(detailed in Table 6)*	None	None
TOTAL	**NONE**	**129.5**

Table 2

SUMMARY OF THE COMPENSATION OF EVERY EXECUTIVE CORPORATE OFFICER

(in € thousands)	FY 2013		FY 2014	
	Amounts due	Amounts paid	Amounts due	Amounts paid
PHILIPPE ARCHINARD, CHAIRMAN & CEO				
Fixed compensation	72.2	72.2	72.2	72.2
Variable compensation	-	-	-	-
Extraordinary compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	-	-	-	-
Portion of Institut Mérieux compensation reinvoiced to the Company	*625.7*	*625.7*	*625.7*	*625.7*
TOTAL	**697.2**	**697.2**	**697.9**	**697.9**
CHRISTOPHE ANCEL, QUALIFIED PHARMACIST, DEPUTY CHIEF EXECUTIVE OFFICER (APPOINTED JANUARY 2014)				
Fixed compensation	N/A	N/A	112	112
Variable compensation	N/A	N/A	12.2	12.2
Extraordinary compensation*	N/A	N/A	1.8	1.8
Directors' fees	-	-	-	-
Benefits in kind	N/A	N/A	3.5	3.5
TOTAL	**N/A**	**N/A**	**129.5**	**129.5**

* *Bonus per individual objectives (largely operational and qualitative) of the person, set yearly and tied to his position as Director of Quality Assurance and not his position as a corporate officer.*

Table 3

TABLE SHOWING DIRECTOR'S FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE MEMBERS

Corporate officers who are not also executives *(in € thousands)*	Amounts paid during the period 2013	Amounts paid during 2014
JEAN-PIERRE BIZZARI		
Directors' fees	9.5	12.5
Other compensation	None	None
JEAN-LUC BÉLINGARD(1)		
Directors' fees	None	None
Other compensation	None	None
ARNAUD FAYET		
Directors' fees	12.5	23
Other compensation	None	None
BENOÎT HABERT		
Directors' fees	15.5	21
Other compensation	None	None
PIERRE-PATRICK HURTELOUP		
Directors' fees	10	16.5
Other compensation	None	None
JEAN-FRANÇOIS LABBÉ		
Directors' fees	8	15.5
Other compensation	None	None
ALAIN MÉRIEUX		
Directors' fees	None	None
Other compensation	None	None
TSGH (DOMINIQUE TAKIZAWA)(1)		
Directors' fees	None	None
Other compensation	None	None
LAURENCE ZITVOGEL		
Directors' fees	5.5	12.5
Other compensation	None	None
TOTAL	**61**	**101**

(1) Mssrs Bélingard and Mérieux, TSGH and Ms Takizawa receive no Directors fees or other compensation as Directors of the Board.

Tables 4 and 5: see Section 2.2.3 below.

Table 6: performance stock granted to each corporate officer:

None. The Company awarded no performance stock during this or any past period.

Table 7: performance stock that became available for sale during the period for each corporate officer:

None (see comment above).

Tables 8 and 9: see Section 2.2.3 below.

Table 10

Executive corporate officers	Employment contract		Supplementary pension plan		Payments or benefits owed or likely to be owed because of a termination or change of position		Payments concerning non-compete clause	
	YES	NO	YES	NO	YES	NO	YES	NO
Philippe Archinard, Chairman & CEO Dates of term: 2004 - 2017		X		X		X		X

As far as the Company is aware:

- no director has received a commitment from the Company or any of its subsidiaries representing compensation, payments or benefits of any kind, due or that might be due for assuming, terminating or changing these responsibilities, or subsequent to them;
- no director has during the year received compensation from TSGH, which directly controls Transgene.

2.2.2 Total provisions for retirement

Retirement provisions set up by the Company for the corporate officers totaled at December 31, 2014 €23,100 for Philippe Archinard and €24 thousand for Christophe Ancel.

2.2.3 Stock options

2.2.3.1 History of option plans

Four option plans are open as of the date of this Reference Document, authorized by the General Meeting of Shareholders in 2004, 2006, 2008 and 2010 and implemented by the Board of Directors. The condition of these plans as of December 31, 2014 is presented in summary in the following table.

90,000 options were awarded in 2012, and no options were awarded in 2013 and 2014. In accordance with regulations, the rights of option holders were adjusted as to number of options and exercise price, following the capital increase with preferential subscription rights of shareholders that was raised in March 2014 and that led to the granting of 28,802 options for an equal number of new shares.

	Plan No. 3	Plan No. 4	Plan No. 5	Plan No. 6
	6/9/2004	6/9/2006	6/9/2008	6/17/2010
	2/9/2005	12/6/2006	12/16/2008	12/7/2010
	5/18/2005	10/4/2007	12/9/2009	12/13/2012
Shareholders' Meeting date	1/1/2006	12/19/2007	12/7/2010	
Board of Directors meeting date	12/6/2006	12/16/2008		
Total number of shares to be subscribed or purchased	300,000	450,000	250,000	400,000
Of which subscribable by				
• corporate officers:				
Philippe Archinard, Chairman & CEO	123,744	72,186	36,093	None
Christophe Ancel, Chief Pharmacist, Deputy Chief Executive Officer (Since January 2014*)	None	2,566	2,064	5,125
• the top 10 employee recipients:	126,000	113,000	60,500	153,000
Starting point for exercise of options		2010	2012	
	2009	2011	2013	2015
	2010	2012	2015	2017
Expiration date	2015	2016	2018	
	2016	2017	2019	2020
		2018	2020	2022
Subscription price *(euros)* (equal to the average of the market price of the 20 trading days prior to the grant date, excluding discount) adjusted following the capital increases with preferential subscription rights in 2010 and 2014	6.38	10.78	11.09	
	7.12	16.23	17.26	
	7.38	15.14	14.31	14.31
	10.78	11.09		7.92
Terms of exercise (when the plan includes several tranches)	None	None	None	None
Number of shares subscribed in 2014	15,387	24,220	0	0
Cumulative number of lapsed and canceled options	12,000	43,898	84,013	25,625
of which: options granted and canceled	12,000	43,898	84,013	25,625
Number of outstanding granted options at end of period	162,671	478,019*	245,541	301,866

* *Grants made before appointment as a corporate officer.*

Pursuant to Article L. 225-185, par. 4 of the French Commercial Code, the Board set at 10% the quantity of shares issued from the exercise of options granted starting in December 2007 that corporate officers will be obliged to hold as registered shares until they leave their position.

Stock-options granted to corporate officers or exercised by them during FY 2014: NONE.

STOCK OPTIONS GRANTED DURING THE YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY THE ISSUER AND BY ANY COMPANY OF THE GROUP

Name of executive corporate officer	No. and date of the plan	Type of options	Valuation *(in euros per option)*	Number of options granted	Exercice price *(in euros)*	Exercice period
Philippe Archinard	-	-	-	None	-	-
Christophe Ancel	-	-	-	None	-	-
TOTAL	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**

STOCK OPTIONS EXERCISED DURING THE YEAR BY EACH EXECUTIVE CORPORATE OFFICER

Name of executive corporate officer	Plan No. and date of the plan	Number of options exercised during the year	Exercice price
Philippe Archinard	-	None	-
Christophe Ancel	-	None	-
TOTAL	**N/A**	**N/A**	**N/A**

Summary information on stock subscription options granted to the largest ten recipients who were employees but not corporate officers and options exercised by the latter during FY 2014: None.

Stock options granted to the ten largest recipients/employees recipients not corporate officers and options exercised by such employees	Total number of options granted or exercised	Average Price weighted *(in euros)*	Plan no.
Options granted during the year by the issuer and by any company within the option plan, to the 10 employees not corporate officers of the issuer and by any company within this scope of consolidation, whose number of options so granted is greatest.	None	-	-
Options held on the issuer and the aforementioned companies exercised during the period by the ten employees of the issuer and of these companies whose number of options so granted is greatest.	2,112	€6.38	3

Individual information on options granted by the issuer or any company in the Group of companies eligible for stock option allocation to the ten employees (non-corporate officers) of the issuer or any other company in the Group who have received the most options and the number of shares subscribed by the ten individuals who subscribed the most shares during the period: there was no grant of options in 2014, and during the period two employees who were not corporate officers exercised 564 and 1,548 options respectively at a per-option strike price of €6.38.

2.2.4 Awards of free shares

Two free share award plans were authorized as of the date of this Reference Document by the General Meeting of Shareholders in 2008 and 2010 and implemented by the Board of Directors. The Board of Directors voted to reserve free share awards to employees and to rule out awards to the members of the Executive Committee, senior management and corporate officers. As a result, it awarded free shares to all employees working under open-ended employment contracts as of December 16, 2008. Two categories of recipient and two award levels were established: 108 managers received 450 shares apiece and 84 non-managers received 300 apiece. The shares involved are authorized but unissued. In December 2009, the Board of Directors made an additional grant of 11,100 shares to 30 employees who met the condition of working under open-ended contracts as of the grant date.

On December 7, 2010 the Board of Directors voted to make another general grant, applying the same rules as in 2008: to all employees working under open-ended employment contracts as of December 7, 2010 (excluding the Executive Committee, senior management and corporate officers), at the rate of 450 restricted shares for managers (126 people) and 350 for non-managers (99 people). No free shares were awarded in 2011.

In December 2012 the Board made a new award of free shares, along the same lines as before: all Company employees working under open-ended contracts as of December 13, 2012 (excluding members of the Executive Committee, senior management and corporate officers) at the rate of 200 shares for each manager (154 people) and 130 shares for non-managers (104 people).

No free shares were awarded in either 2013 or 2014.

The condition of these plans as of December 31, 2012 is presented in summary in the following table:

	Plan No. 1	Plan No. 2
Shareholders' Meeting date	6/9/2008	6/17/2010
Total number of shares to be subscribed or purchased	100,000	120,000
Of which, grants made during the year by the issuer and by any company in the scope of the awards for corporate officers	None	None
Of which, grants made during the year by the issuer and by any company in the scope of awards, to the ten employees of the issuer who are not corporate officers and of any company included in this scope, whose number of shares awarded is greatest	-	2,000
	12/16/2008	
	12/9/2009	12/7/2010
	12/7/2010	12/13/2012
	73,800	
Board of Directors meeting date	11,100	74,900
Total number of free shares awarded	15,100	44,320
Of which: number of shares awarded to corporate officers and members of the Executive Committee	None	None
	12/15/2012	
	12/8/2013	12/6/2014
	12/6/2014	12/12/2016
	€12.10	
Date of final allocation and expiration date (as both periods are taken into account)	€19.67	€14.37
Share value on the date of allocation (opening price on the date of allocation)	€14.37	€8.36

2.3 REPORT BY THE CHAIRMAN ON CORPORATE GOVERNANCE AND INTERNAL CONTROLS, AND REPORT BY THE STATUTORY AUDITORS ON THE CHAIRMAN'S REPORT

With respect to corporate governance, the Company complies with the recommendations set forth in MiddleNext's Corporate Governance Code For Mid- And Small-Cap Companies of December 2009.

This paragraph restates in its entirety the Chairman's Report required by Article L. 225-37 of the French Commercial Code, relating to the manner in which the company's Board of Directors prepares and organizes its work and to the internal controls installed by the Company.

Report of the Chairman required by Article L. 225-37 of the French Commercial Code

With respect to corporate governance, the Company complies with the recommendations set forth in MiddleNext's Corporate Governance Code For Mid- And Small-Cap Companies of December 2009 (the "MiddleNext Code"). The MiddleNext Code can be consulted on the MiddleNext website.

This report was prepared by senior management and presented to the Audit Committee before receiving approval by the Board of Directors at its meeting of March 24, 2015. Unless stated otherwise, the scope of application includes only Transgene SA (hereinafter "the Company").

Manner in which the work of the Board of Directors is prepared and organized

Composition of the Board of Directors

The Company is governed by a Board of Directors currently consisting of ten members, of whom nine are individuals and the tenth is the majority shareholder, TSGH. Two women sit on the Board: Dominique Takizawa, as the permanent representative of TSGH, and Laurence Zitvogel, an independent director.

With respect to Law No. 2011-103 of January 28, 2011 on balanced gender representation on boards of directors and supervisory boards and on gender equality, the Board of Directors is in full compliance. The Board of Directors has adopted the principle that candidacies from women will be offered as and when the terms of current directors expire.

The term office of the directors is three years. The independent directors, who alone receive directors' fees, must own a number of shares whose value at least equals one half-year of directors' fees. The following table shows the number of shares or other securities ultimately convertible into shares (stock options) held by each individual director:

Director	Number of shares owned	Number of options
Philippe Archinard	6,500	232,020
Jean-Luc Bélingard	0	None
Jean-Pierre Bizzari(1)	5,000	None
Arnaud Fayet(1)(2)	5,501	None
Benoît Habert(1)(3)(4)	74,403	None
Pierre-Patrick Hurteloup(1)(5)	350	None
Jean-François Labbé(1)	400	None
Alain Mérieux*	100*	None
Laurence Zitvogel(1)	469	None

* *Besides the 19,987,011 shares held by TSGH, a 98.66% owned subsidiary of the Institut Mérieux, itself 100% owned by Compagnie Mérieux Alliance, controlled by the family of Mr. Mérieux.*

(1) Independent director.

(2) Chairman of the Audit Committee.

(3) Chairman of the Compensation Committee.

(4) Member of the Audit Committee.

(5) Member of the Compensation Committee.

In its current composition, the Board of Directors includes six independent directors as defined by Recommendation R8 of the MiddleNext Code.

The complete list of directors and the dates and expiration of their terms appears in Section 2.1 of the Company's Reference Document.

No member of the Board of Directors was elected by the employees. Two employees, including one representative of the managers, represent the Works Council and attend the meetings of the Board of Directors.

Besides the Statutory Auditors, who participate in most Board meetings (and participated in all Board meetings in 2014), the representatives of the Works Council are also in attendance at the meetings, as is the Corporate Secretary, who acts as secretary to the Board. The Directors of the Board with scientific and medical backgrounds will from time to time hold ad hoc scientific or medical meetings with the Company's scientists and its medical, clinical and regulatory staff to discuss issues related to the products under development.

Operation of the Board of Directors

The Board of Directors met ten times in 2014, with an average attendance rate by the directors of 93%. At every meeting, the Board hears detailed reports on the Company's progress in terms of the development of its operations, the course of its research projects and clinical programs and its financial situation. Beyond performing its legal duties to approve the annual and interim financial statements and to arrange and convene general meetings of the shareholders, the Board discussed the Company's strategic questions. The Board also made use of two ad hoc committees, each of which included directors and people from outside the Company: a Finance Committee made up of the members of the Audit Committee, that studied the Company's financial strategy. The Board hears on a regular basis from the Audit and Compensation Committees and discusses their recommendations. The duties of the Chairmanship of the Board and the general management of the Company are performed by the same individual, the Board having determined that this arrangement was most suitable for the size of the Company and its stage of development.

In compliance with Recommendations R6 and R7 of the MiddleNext Code, the Board of Directors has adopted internal Guidelines, which are available on the Company website www.transgene.fr. A Code of Ethics with respect to our securities, following the recommendations of the MiddleNext Guide "Managing Privileged Information and Preventing Insider Violations", was adopted by the Board and uploaded to the Company's intranet site, to be read by all employees.

In 2014, the Company also complied with Recommendation R15 of the MiddleNext Code dealing with the yearly assessment by board members of the board's operations and how its work is prepared. In addition, the Board of Directors undertook a review of the MiddleNext Code's "Points of attention".

Committees

The Board's work is assisted by two committees:

- **the Audit Committee**, consisting of three directors, two of whom are independent. The Vice President, Finance is

invited to each meeting to present the Company's financial data and answer questions from the committee. The Statutory Auditors participate in each of the committee's meetings. The committee is charged with preparing the work of the Board of Directors on financial and accounting matters and to advise it, particularly with regard to the financial statements, their audit and their compliance with accounting standards, the selection, the renewal process and the fees of the Statutory Auditors, the internal control system and the details of certain capital expenditures. The committee approves and keeps track of the internal auditing plan. In addition, the Audit Committee oversees the cash management policy. The Audit Committee met five times in FY 2014, with at least two members in attendance at each meeting. The work of the Audit Committee is governed by a charter that is reviewed and adapted as necessary to changes in corporate governance best practices. After every meeting in 2014, the committee made regular reports on its work and its recommendations to the Board of Directors;

- **the Compensation Committee**, consisting of two independent directors. The committee reviews the proposed compensation (salary and bonus, proposed stock options) for the Company's senior managers and key people. It also reviews the broad compensation policy carried out in the Company in terms of adopting stock option plans and free shares awards. It meets and deliberates by conference call if need be, and met once in this way in 2014, with all members attending either in person or by telephone. More specifically, in 2013 the Compensation Committee undertook to evaluate an alternative way to provide an alternative to stock options in order to involve the Company's management with the Company's increase in value. It then submitted to the Board a bonus plan with a three- to five-year time horizon, calculated on the increase in the Company's market capitalization. This plan has the advantage of aligning the interests of managers and shareholders, and does so without creating any dilution. The plan was implemented, after adoption by the Board, as of January 1, 2014.

Limits on the powers of the Chief Executive Officer

No special limits have been set on the powers of the Chief Executive Officer, with the exception of the following points that require the CEO to refer the following matters to the Board:

- approval of the Company strategic plan and that of its subsidiaries;
- approval of the yearly budget and, on a quarterly basis, its implementation and any revision made to it;
- authorization to make any strategic transaction (an acquisition, sale, disposal of Company assets, any exchange, transaction, collateralizing or financing in any manner, etc.) not written into the strategic plan or the budget and whose impact on the use of cash versus the projected use of cash exceeds 5% per transaction.

Participation of shareholders in the General Meeting

The Company has not established any special rules as to shareholder participation in general meetings; the Statutes in this regard refer to the provisions of law in the French Commercial Code.

Disclosures as to the structure of equity and items that might have an effect in the event of a public offering

This information is presented and gone into in the Board's Management Report and in Chapter 5 of the Company's Reference Document.

Compensation of corporate officers

In this report a distinction is drawn between the compensation of directors who are not company executives and those who are. The latter are the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer (see Section 2.2 of the Reference Document for detail on compensation paid in 2014).

Directors who are not company executives: only the independent directors receive directors' fees. These consist of a set yearly lump sum of €5 thousand to which is added an amount tied to the director's actual attendance at Board meetings of €1.5 thousand per meeting, in accordance with Recommendation R14 of the MiddleNext Code. The additional compensation for members of the Audit Committee and the Compensation Committee are, respectively, €1.5 thousand and €1 thousand per committee meeting. No other form of compensation is paid by the Company to its directors, including deferred compensation such as shares of stock, stock warrants or stock options.

The gross amount of directors' fees paid over the last two years to directors in office as of December 31, 2014 are shown in Section 2.2 of the Company's Reference Document.

Company executives: the Chairman and CEO does not have an employment contract with the Company. He receives compensation from the Company on the basis of his responsibilities. In 2014, this compensation was the same as in 2013. The Chairman and CEO also receives compensation from the Institut Mérieux on the basis of his responsibilities as Director of the Immunotherapy Division in that company, a portion of which compensation is billed back to the Company under a regulated agreement between the Institut Mérieux and the Company, termed "management fees".

The Qualified Pharmacist, who was appointed Deputy Chief Executive Officer pursuant to the French Public Health Code, has an employment contract in his capacity as Director of Quality Assurance. The Board believes that there is justification for maintaining that employment contract in this particular case, in that the regulations call for the Qualified Pharmacist to be an officer of the Company. The Qualified Pharmacist receives a salary from his employment contract and no Executive Committee compensation. His compensation is completely individualized and reflects his personal performance against the yearly objectives set for each top executive. The salaries

and bonuses of members of the Executive Committee are determined based on what the Chairman and CEO proposes and are submitted for review by the Compensation Committee, which also authorizes the proposals, if any, for deferred compensation in the form of stock options. No options or free shares were awarded in 2013 or 2014.

The Board believes that the manner of setting the compensation of its two corporate officers are in accordance with the principles laid out in Recommendation R2 of the MiddleNext Corporate Governance Code. As for option plans already granted, the Board decided not to allow the exercise of options awarded to corporate officers on condition of meeting their performance goals over several years. The analysis done by the Compensation Committee, with which the Board agrees, concluded that such a rule was inappropriate for the Company, whose development in the absence of ongoing revenues from business activities remains subject to great technological risk, the uncertainty of which is already factored into the lock-up period for options, which was lengthened from four years to five by the Board at its December 7, 2010 meeting for awards made after that date. This five-year period after the grant is a medium-term horizon and is sufficient in itself to provide an incentive to long-term group performance.

Internal control procedures

The Company has put in place a set of operating procedures, especially including ones that cover the commitment of financial and human resources, and in this way helps to create a control environment. With each step of its growth, the Company evolves its control objectives and methods, especially in order to manage its principal financial resource, its cash, its primary operating risks in managing its projects and its strategic partnerships and, generally speaking, its compliance with regulatory requirements as a biopharmaceutical company and as a publicly-traded company.

Objective and definition of internal control

The internal control is devised and implemented by the Company, with the purpose ensuring:

- compliance with laws and regulations;
- the implementation of instructions and directions set by top management;
- the smooth running of the Company's internal processes, especially those affecting the protection of the company's assets;
- the reliability of financial data.

Broadly, the Company's internal controls contribute to the management of its activities, the efficacy of its operations and the efficient utilization of its resources. By helping to prevent and limit the risks of not achieving the objectives that the Company has set for itself, the internal control system plays a key role in the management and operation of our various activities. In this regard, the Company has installed an enhanced control system on the essential components of its primary risks: liquidity risk and cash conservation, the risk in carrying out its clinical development plan through close project management, and the risk to quality through a quality assurance organization. Nevertheless, internal controls cannot give an absolute guarantee that the company's objectives will be achieved.

Transgene has adopted the internal control guidelines provided by the AMF for mid- and small-cap companies.

Control environment

Those who perform and contribute to internal control at Transgene

Board of Directors and its committees

The first part of this report describes the manner in which the Board of Directors aids the Company in optimizing its operations. The Audit Committee supervises the internal control process, particularly with regard to validating the internal control action plan and to the Company's financial reporting. In that connection, it familiarizes itself before every interim and annual reporting with the Group's financial statements and the accompanying notes. The independent directors who are physicians (Drs. Bizzari, Hurteloup and Zitvogel) contribute at special meetings to monitor the Company's clinical development policy. They act as advisors to the Company's Medical and Regulatory Affairs Department.

Executive Committee

The Executive Committee, which was reorganized in early 2013 into fewer members, taking on assignments previously falling on a project management committee, has assumed new responsibilities since October 2014 and now includes three members from the US subsidiary, Transgene, Inc. Under the leadership of the Chairman and CEO, every month it brings together the eight members representing each of the company's departments. Besides its work in connection with project management, it adjusts the course of the Company, ensures that the course is being followed in every aspect of management and that the objectives set by the Board of Directors are kept in sight, and debates all questions about organization and operating strategy that its members put on the agenda. It keeps careful track of all financial and contractual obligations. Twice a year the Executive Committee reviews quality management.

Project organization

Transgene's organizational structure is built around two line departments which are coordinated by a strong "project" orientation. The lines of applied research, products under development and outsourced contracts are managed by

project, with a project leader and reporting system. The project leader is charged with coordinating, leading and optimizing the various cross-functional tasks necessary for the success of the project. He draws up a development plan and a schedule and issues a monthly report containing milestones reached and any alerts. Each project has resources allocated to it and a record of time spent, through computerized time sheets filled out by every researcher and technician in the Company. Within the Project Management department, the Strategic Planning and Project Control unit is charged with making regular reviews of projects and organized so as to keep the priorities of the portfolio in line with the Company's strategy, resources and constraints.

The Company uses collaborative project management software which is shared by all departments and whose main functions are:

- consolidated management of the project portfolio;
- detailed project and resource planning;
- tracking the progress of tasks and time spent.

Finance Department

The mission of the Finance Department, under the authority of the Vice President, Finance, is to provide administrative and budgetary staff support to the line departments, to provide top Management with analyzes that will enable effective financial management and to ensure compliance with financial and accounting regulations, particularly as regards a publicly-traded company. Within this department, the head of administration and finance is charged with implementing and improving accounting and financial procedures, along with overseeing the action plan established after the annual audit.

Corporate Secretary

The Corporate Secretary sees to the compliance with laws and regulations in force and takes responsibility for internal control and risk management.

The control environment of the pharmaceutical industry

Research and development, preclinical tests, clinical trials, facilities and equipment and the manufacture and marketing of therapeutic products are subject to very thorough regulations devised by numerous governmental authorities in France, Europe, the United States and other countries. The European Medicines Agency (EMA), the French Agence Nationale de Sécurité du Médicament et des produits de santé (ANSM), the Food and Drug Administration (FDA) in the United States and others require compliance with stringent conditions for the manufacturing, development and marketing of products such as those developed by Transgene. Pharmaceutical facilities are given regular inspections by these bodies, so that deviations can be identified and corrected.

Such an environment of rigorous controls calls for an internal control system capable of ensuring compliance with standards. To that end, the Company has established:

- a Quality Department (Quality Unit) whose purpose is to meet regulatory requirements as to the quality and the safety of pharmaceutical products for human use. This Quality unit includes:
  - System Quality and Compliance, which handles the quality documentation system, in-house and third-party quality audits, clinical audits of suppliers' quality assurance, quality training, checking computer systems and the continued compliance of the company with pharmaceutical standards. This entity is also in charge of managing regulatory inspections and partner audits and follow-on,
  - Quality Control, which controls for base materials, intermediate products and finished products. This entity also monitors the environmental controls on product areas and utilities. The entity also is responsible for stability studies to establish the expiration dates of products manufactured,
  - Operational Quality, which reviews the production and control data so that produced batches can be certified before the sponsor takes them for use in clinical studies,
  - Qualification/Validation, which handles the qualification of facilities and equipment and the validation of processes and sterility;
- managers within the Medical Affairs Department of pharmacovigilance and clinical operations quality; these people conduct audits of the documentation and application of procedures in the area of clinical studies. Transgene complies with the requirements of Best Clinical Practices of the International Conference on Harmonization or of national regulations when these are more stringent;
- a Toxicology and Quality Assurance R&D team in the Research Department that initiates the quality system upstream of the product development process;
- a Supplier Quality Assurance unit working with the Purchasing Department, strengthening the evaluation and certification process for critical and strategic suppliers.

The control environment in the Institut Mérieux Group

The companies in the Institut Mérieux Group have since 2010 participated in a group-wide internal audit program led by the Institut Mérieux. Every company in the group analyzes its risks and validates its audit program. The actual audit itself is conducted by a cross-functional team of internal auditors taken from companies in the group and specially trained in internal audit techniques. An internal audit was conducted of Transgene in late 2012; an action plan drawn up at the conclusion of this audit and put under the responsibility of the Financial Controller was completed, and in 2013 all the actions were taken.

Internal Control And Risk Management Procedures

Procedures are established and disseminated throughout the Company to ensure that the major risks are internally managed in accordance with the policies and objectives set by top management.

Identifying risks and priority processes

Risk management procedures

The Company identifies the main risk factors that might significantly affect its operations and outlook, as described in Section 1.5 of its Reference Document. It performs a review which it has decided to formalize as a process that surveys the risks and the procedures to put in place to manage them and presents the findings to the Audit Committee on a regular basis.

Transgene considers some operational and financial risks to be significant, either for the likelihood of occurrence or their impact on the Company. These are treated as follows:

Protection of the integrity of strategic scientific, medical and IT data; protection of strategic biological material

The storage of the Company's strategic data is primarily provided through procedures involving archiving, duplication and separate storage. In 2013, the Company completely outsourced this storage by contracting with a specialized company for access to a private infrastructure with greater data protection than the Company was able to provide with its own servers (risk of hardware obsolescence and insecure location). The Company has nevertheless kept equipment that allows local storage of the most critical data.

Cash conservation

Cash constitutes the Company's main financial asset. Controls are in place to ensure that cash is used wisely and that invested funds are safe, including:

- a detailed budget by Section and quarterly budgetary reviews;
- a cash balance statement;
- a short-term investment policy set and monitored by the Audit Committee.

The Company's cash is currently invested in investment funds, directly or in the Institut Mérieux Group cash pool. This cash pool is placed under the supervision of a committee of the Group's liquidity managers (representing Transgene: the Vice President, Finance), which meets once a month to study the cash position of the participants (both lenders and borrowers), the yields and the investment decisions. The Audit Committee examines the cash position at each of its meetings.

Reliability of financial and accounting information

To ensure the quality and reliability of the financial and accounting information it produces, the Company makes use of a framework of accounting principles and standards and of a management reporting system that analyzes accounting data along the following lines: by cost center, type of income and expense, and project.

Policy concerning insurance

In order to outsource a portion of the financial expense of operational risks, the Company has implemented a policy of insuring the main insurable risks with coverage amounts that it believes are compatible with its cash usage requirements. The insurance program is presented annually to the Audit Committee.

Management of relationships with strategic partners

The Company's strategy is to enter into licensing and development partnerships for the final stages of development of its products and their marketing. To maintain the closest collaboration possible with the partners and so to ensure the optimal development of the product, a single project leader sees that the program is carried out properly, under the supervision of an oversight committee that meets monthly. Additionally, the strategic partnerships have their own governance, generally in the form of a joint steering committee that meets on a regular or ad hoc basis to make critical decisions, such as about new objectives, new commitments, managing differences, etc. throughout the term of the agreement.

An evolving approach to assessing internal controls

The Company has for several years been involved in an effort to formalize its internal control practices into written procedures. An internal control procedures manual is now being written.

The internal control improvement plan, based in part on the Group audit, is overseen by the Financial Controller and presented to the Audit Committee every year. More specifically, the objective for 2015 will be to extend the procedures audit and the internal control to the Transgene, Inc. and Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd. subsidiaries, which due to their small workforces and absence of material costs were not included in the scope of these controls.

The gradual digitalization of work flows, including those for purchasing and for invoice payments, has made it possible to broaden the application of procedures and internal control in the Company.

Internal controls on preparing the accounting and financial information

The Company prepares the annual consolidated financial statements under IAS/IFRS, as well as the parent company financial statements for Transgene SA. The Company prepares the half-yearly consolidated financial statements under IAS/IFRS, and these are given a limited examination by the Statutory Auditors. The consolidation process is not especially complex in that the scope of consolidation in 2014 included Transgene SA, its wholly owned subsidiary, Transgene, Inc., whose function is to represent Transgene SA before the U.S. health authorities by (seven employees as of 12/31/2014) and a wholly owned subsidiary in Shanghai, Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd., which hosts collaborative academic research led by Transgene in China (five employees as of 12/31/2014). The investments made by the Company in ElsaLys Biotech SAS (France), Platine Pharma Services SAS (France) and Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. (China) are accounted for by the equity method.

The Reference Documents filed every year with the French *Autorité des Marchés Financiers* are prepared jointly by the Finance Department and the Corporate Secretary. They are reviewed by the Group's legal advisors and auditors. under the responsibility of the Chairman and CEO.

The accounts are closed using an operating financial information ("ERP") system. This ERP manages purchasing and procurements, storage, general accounting and cost accounting and budget reports. It supports task segregation through individual user profiles, as well as unified data. It implements computerized hierarchical validation procedures for purchases, travel orders and reimbursable expense reports.

The ERP integrates and makes traceable the entries restating accounts per IAS/IFRS, which limits the risk of error.

A list of tasks to be done and checks to be made at each closing date by the accounting departments helps to ensure that closings are carried out properly.

Quarterly reports are prepared by the Finance Department and presented to the Executive Committee. They comprise a variety of financial and operating statements for the Company's operations and more importantly include a quantitative and qualitative analysis of the actual and budgeted accounting data.

The budgeting process is designed and coordinated during the fourth quarter by the Finance Department in close cooperation with the project leaders and operating managers. A management controller is assigned full-time to the collecting and processing of financial data about the projects.

The budgeting process involves the validation of project priorities following the yearly portfolio review and the use of project management software which makes it possible to ensure that financial and human resources are adequate to the needs and schedules of the projects. The budget is presented for approval to the Executive Committee, which then submits it to the Board of Directors after review by the Audit Committee. The budget is adjusted every half year and a re-estimate is presented to the Board of Directors during the third quarter.

THE STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF TRANSGENE SA

Dear Shareholders,

In our capacity as Statutory Auditors of Transgene SA, and pursuant to Article L. 225-235 of the French Commercial Code, we report to you on the report prepared by the Chairman of your company in accordance with Article L. 225-37 of the Commercial Code for the period ended December 31, 2014. It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report with respect to the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- to certify that this report contains the further information required by Article L. 225-37 of the French Commercial Code, with the understanding that we are not expected to verify the accuracy of such further information.

We have carried out our work in accordance with the professional standards and practices applicable in France.

Information regarding internal control and risk management procedures for the preparation and processing of accounting and financial information

Professional standards require us to perform investigations to assess the fairness of the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information. These investigations consist of:

- reviewing the internal control and risk management procedures relating to the preparation and treatment of financial and accounting information on which the information presented in the Chairman's report is based as well as existing documentation;
- reviewing the work that made it possible to compile this information and the existing documentation;
- determining whether any major deficiencies in the internal controls relative to the preparation and processing of accounting and financial information that we might find in the course of our work are appropriately covered in the Chairman's report.

On the basis of our work, we have no observations to make in connection with the information given on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, as contained in the Chairman's report, prepared in accordance with Article L. 225-37 of the Commercial Code.

Other information

We hereby certify that the Chairman's report includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Lyon, April 27, 2015

Statutory Auditors

DIAGNOSTIC REVISION CONSEIL

Hubert de Rocquigny du Fayel

ERNST & YOUNG et Autres

Marc-André Audisio

CORPORATE GOVERNANCE

3

INFORMATION REGARDING THE COMPANY'S SOCIAL, ENVIRONNEMENTAL AND CORPORATE RESPONSIBILITY

3.1 NOTE ON METHODOLOGY

Unless otherwise indicated, the items in the following report concern the company (Transgene SA), located in France, where its business is primarily conducted in two facilities located in Illkirch-Graffenstaden and Lyon. The activities of its two wholly owned subsidiaries are to serve as a representative office (Transgene Inc. based in the United States and employing seven people as of 12/31/2014) and to collaborate on academic research (Transgene Biopharmaceuticals Technology (Shanghai) Co. Ltd. based in China and employing five people). Neither one conducts any commercial business. The numerical data given are for the fiscal years 2012, 2013 and 2014.

Disclaimer and methodological limitations

The reporting methodologies for social, environmental and safety indicators might have certain limitations inherent to the manner in which such information is collected and consolidated.

The reporting definitions and methodologies are indicated for the following indicators:

Safety Indicators

Frequency (as a rate) and seriousness of work-stopping accidents

These indicators refer only to operations of the Group in France. The frequency rate of work-stopping accidents is equal to the number of accidents that stop work for one day or more over a 12-month period, per million hours worked. The rate of seriousness of workplace accidents is equal to the number of days lost through temporary disability, excluding commuting accidents, over a 12-month period, per thousand hours worked. Commuting accidents are left out of the calculation of these indicators.

Environmental Indicators

Indicators of electricity, gas and water usage refer only to the operations of the Group in two buildings (TUP and TUR) at its Illkirch-Graffenstaden site in France.

Employment indicators

Total workforce

This indicator refers to all of the Group's operations. Considered as part of the total workforce are all employees with an employment contract (open- or closed-ended) with the Transgene Group as of the last calendar day of 2014.

Hires and Termination

These indicators refer only to operations of the Group in France.

Closed-end employment contracts are included in these indicators. Excluded from the reported data, for hirings as well as terminations, are: employees on vocational training contracts and closed-end contracts converted to open-end contracts if the end of the prior contract coincides with the start of the new contract.

Rate of absenteeism

The absenteeism rate is reported only for within France. It refers to the number of working days missed (illness, maternity, workplace accident, paternity leave and unpaid time off) over the number of working days theoretically worked.

Hours worked

These indicators refer only to operations of the Group in France.

The number of hours worked is calculated by assuming for one full-time employee 151.67 hours worked per month, after subtracting hours absent and adding hours of overtime.

Consolidation

The consolidation of the data is under the responsibility of the Corporate Secretary.

3.2 EMPLOYEE INFORMATION

3.2.1 Responsibility as an employer

3.2.1.1 Employment

TOTAL WORKFORCE AND BREAKDOWN OF EMPLOYEES BY GENDER, AGE AND GEOGRAPHIC REGION AT DECEMBER 31

Data about the Company and its two wholly owned subsidiaries

	Men			Women			Total		
Geographic area and breakdown by age	2012	2013	**2014**	2012	2013	**2014**	2012	2013	**2014**
France	**97**	**93**	**94**	**202**	**194**	**190**	**299**	**287**	**284**
of whom: under 25	8	5	5	18	13	12	26	18	18
25 to 39	42	41	39	85	83	83	127	124	122
40 to 49	27	27	28	63	50	45	90	77	73
50 and over	20	20	22	36	48	49	56	68	71
United States	**-**	**1**	**3**	**2**	**2**	**4**	**2**	**3**	**7**
of whom: under 25	-	-	-	-	-	-	-	-	-
25 to 39	-	-	-	-	-	2	-	-	2
40 to 49	-	1	1	2	-	1	2	3	2
50 and over	-	-	2	-	2	1	-	-	3
China	**-**	**-**	**2**	**4**	**4**	**3**	**5**	**5**	**5**
of whom: under 25	-	-	-	-	-	-	-	-	-
25 to 39	-	-	2	2	2	1	3	3	3
40 to 49	-	-	-	2	2	2	2	2	2
50 and over	-	-	-	-	-	-	-	-	-

HIRES AND TERMINATIONS

(including apprenticeships, vocational contracts and CIFRE [research training])	2012	2013	**2014**
Hires	22	18	41
Terminations	6	20	44

COMPENSATION AND CHANGES OVER TIME

The following table shows the breakdown of average gross annual compensation (wages/salary and bonuses) for men and women in euros for 2012, 2013 and 2014:

Occupation (Classification per national collective agreement for the pharmaceutical industry)		Operator/ Worker (2-3)	Assistant/ Technician Responsibility for... (4-5-6)	Clinical research assistant (CRA)/ Engineer/ Supervisor (6-7)	Project leader/ Physician/Med Tech/ Researcher (7-8)	Senior Manager/ Director/ (8-9)
	Men	24,549	34,499	46,235	63,984	80,127
2012	Women	28,085	34,145	44,407	59,770	75,683
	Men	25,666	35,647	47,731	66,758	84,188
2013	Women	29,508	34,904	49,019	59,709	76,533
	Men	23,111	35,643	49,019	68,994	80,775
2014	Women	29,622	36,411	48,454	61,020	75,593

Total payroll for 2014 was €21.6 million (€21.4 million in 2013, €20.7 million in 2012).

Organization of work

Working hours

The company collective labor agreement in effect in the Company's sites located in France call for a reduction in the work week of non-managers to 37 hours, 40 minutes and a reduction of 9 working days per year; for managers, the annual workload is a fixed 215 days. In 2003, a company agreement instituting flexible hours for non-managers was added to this scheme.

An agreement was signed in December 2003 as an addition to the company agreement in complement to the pharmaceutical industry collective agreement, dealing with the treatment of overtime and irregular hours worked by non-managers at night, on weekends and on legal holidays.

Absenteeism

The rate of absenteeism was 5.66% in 2014. It was 3.70% in 2013 and 4.70% in 2012. The change in the rate from 2013 to 2014 is due to extended illnesses and a greater number of maternity leaves in 2014.

Employer-employee relations

Arrangements for employer-employee discussions, including procedures for providing information and consultation and negotiation with the personnel

Employer-employee discussion takes place, as provided by the French Labor Code, through employee representative bodies, union representatives, the Works Council and employee delegates depending on the powers and duties of each of these. The structure and size of the company do not require that any special means be set up for providing information to employees or for consulting them or negotiating with them. Video and teleconferencing systems are made available to employee representatives based in Lyon so that they may take an active role in meetings conducted at the company headquarters.

Summary of collective agreements

No new agreements were signed in 2014.

Health and Safety

Workplace health and safety conditions

Company policy in respect of personal safety and security has as its main objectives the following:

- guarantee the quality of products to be administered to patients;
- ensure the safety of those who work at the Company; and
- provide protection to the Company's physical and non-physical property.

Thus, for example, the laboratories are designed and equipped both to protect the product during its development from any outside contamination and to protect the employees as they do their work from accidental exposure to potentially hazardous products.

The Company's operations are subject to pharmaceutical standards (Laboratory, Manufacturing and Clinical Best Practices) and to the provisions of the French Environmental Code that refer to the confined use of genetically modified organisms. In this regard, it is subject to administrative authority approval, given upon advice from the French High Council for Biotechnologies, for its viral vector constructions. This approval includes classification of these constructions and the manner in which they are confined for manipulation. The expenditures made by the Company on product quality have a safety and protection aspect but are not necessarily recorded as costs specifically incurred for this concern.

In its facilities the Company applies high standards to its equipment and operations and also makes a point of training its personnel both in quality assurance procedures and in the safety requirements of their work station.

The Company has a Health, Safety and Environment Department consisting of three people and charged with prevention throughout the Company.

The Company is concerned with protecting the physical and mental health and safety of its employees while they work. To meet this obligation, it has promoted group preventative actions. The occupational hazards assessment made by the Health, Safety and Environment department in early 2013 identified certain risk factors. Senior management, in collaboration with the health, safety and working conditions committee known by the French acronym CHSCT, applied a methodology for measuring these risks more precisely and devising an action plan, planning appropriate measures and giving priority to risk-avoidance measures as far upstream as possible. A steering committee under the aegis of the Deputy CEO and the Chairman of the CHSCT was set up, along with a working group of one employee from each department. To get a good understanding of the issues involving psycho-social risks and their causes, a questionnaire approved by the working group was circulated in the departments where such risks had been identified during the occupational hazards assessment. Following this analysis a plan of action and monitoring was drawn up for the departments concerned. At the same time, a notice was distributed about the methodology established for the occurrence of workplace risk.

The Company's CHSCT committee functions in accordance with current regulations.

Summary of agreements signed with unions or employee representatives as to workplace health and safety

The CHSCT holds its ordinary meetings every quarter, makes periodic visits to the sites and facilities, and may choose to hold extraordinary meetings following a serious accident or incident. The procedures for serious and imminent danger were not needed in 2014, or in 2013 and 2012. Three analyses were undertaken in 2014 in the wake of workplace accidents (four in 2013 and six in 2012).

WORKPLACE ACCIDENTS, FREQUENCY AND SERIOUSNESS; OCCUPATIONAL ILLNESSES

Number of accidents (including onsite aid in the infirmary)	2012	2013	2014
Total company accidents resulting in admission to the infirmary or a report	51	55	22
Number of accidents reported	9	11	6
• of which, commuting accidents	5	4	1
• workplace accidents	2	7	5
• travel accidents (away from the workplace)	2	0	0
Number of work-stopping accidents	3	7	2
Frequency[(1)]	-	9.82	4.10
Seriousness[(2)]	-	0.055	0.0205

(1) Number of work accidents excluding commuting accidents multiplied by 1,000,000 and divided by the number of hours worked.

(2) Number of days lost for temporary disability excluding commuting accidents multiplied by 1,000 and divided by the number of hours worked.

One occupational illness was reported in 2014; none in 2013 (one in 2012). No employer declaration of processes that can lead to occupational illness was made in 2014, as was the case in 2013 and 2012.

Training

Policies implemented in terms of training

Employees enter the company with a high level of prior training. Over 86% of them have an educational level of two or more years of post-secondary education. Maintaining employees' knowledge and skills in the technologies at the highest level is a necessity for maintaining the Company's competitiveness. To preserve and develop this human capital, the Company devotes considerable effort to continuing training (3.4% of payroll in 2013, 4.34% in 2012 and 4.35% in 2011 – data not yet available for 2014) and to the development of knowledge and know-how, primarily through a policy of sending people to leading internationally recognized conferences and seminars and through numerous collaborations within the scientific community, and through an extensive and constantly updated document base.

Total number of hours of training

5,038 hours were given to occupational training in 2014 (4,849 in 2013 and 5,855 in 2012). 82% of employees took at least one training course in 2014 (79% in 2013 and 95% in 2012).

Non-discrimination

Steps taken in support of gender equality

As provided by the Law of November 9, 2010, the Company and its employees signed a company non-discrimination agreement on September 25, 2012.

Based on findings about the comparative situation of men and women at Transgene, the agreement resulted in an action plan put in place in 2012 in four areas: promotion, training, compensation and work/life balance. A number of key measures were introduced, such as regular interviews when

taking and returning from parental leave (maternity leave, adoption leave, child-rearing leave) in order to make sure that these absences do not penalize the employees involved, and such as the creation, now underway, of a statement of best practices for meetings in order to find ways of scheduling work that better accommodates work and family obligations.

Since it was founded, the Company has striven to adopt a great many measures that help balance its employees' work and private lives: chosen part-time employment (42 employees, including 1 male manager and 41 females, 24 of them managers; 39 employees including one male manager in 2013, and 38 employees, 15 of them managers, in 2012), maternity and paternity leave at full pay, funding 5 places in the nearby day-care center for babies and children (annual cost: €62,250).

Measures to promote the employment and inclusion of disabled workers

Under the national collective agreement for the pharmaceutical industry of September 25, 2008, to promote the employment and inclusion of disabled people, as amended on September 24, 2009, Transgene has taken a number of steps.

To promote the recruitment of disabled workers, the Company uses job application software on which it posts its non-discrimination policy and which allows disabled workers to identify themselves if they wish by checking a box. In this way their application can be given priority treatment.

In 2014, the Company employed eight people with stated disabilities. The Company also uses the services of three job centers and makes an extra contribution to Handi-Em. In addition, it calls on the services of several of the French organizations to aid the disabled in employment known as ESATs (ARSEA, HANDIRECT, AVS and ESSOR).

In 2104 the Company continued its communication efforts to fight stereotyping of disabilities, in three ways:

- anti-stereotyping mentorships: participation in the "Mentors Against Stereotype" operation in partnership with the civic association called "IMS Entreprendre pour la cité - Alsace". The mentorship consists of giving personalized support to disabled job applicants who are encountering difficulties with finding employment. A company employee (the mentor) helps his or her mentee to understand the world of work and to look for jobs, while the mentee gives the mentor a glimpse of the world of disability. Two mentors volunteered in 2014;
- Disability Day at the Company: this took place on November 20, 2014 in several work areas: an exhibition of drawings: disability as seen by the children of the employees, a conference ("Taking another look at disability") led by André Panza, the French world boxing champion, serving a dessert buffet made by a company employing the disabled, a quiz ("How do I see disability?"), roundtable discussions of such topics as "Beyond disability: equal job opportunity," and finally individual meetings on retirement, adverse working conditions and disability;
- the continuation of outside consultations open to all employees on health matters, the consideration given to health and disability within the company, for oneself and one's family.

Anti-discrimination policy

The Company has not adopted an anti-discrimination policy but believes that its practices in this regard are non-discriminatory.

Promotion and observance of the core conventions of the International Labor Organization

Freedom of association and the right to collective bargaining

The Company formally respects its employees' freedom of association. The right to collective bargaining is exercised at its sites in the manner provided by the French Labor Code.

Elimination of discrimination in respect of employment and occupation

See above, Non-discrimination.

Elimination of forced or compulsory labor

The Company has no operations in countries where such practices occur.

Abolition of child labor

The Company has no operations in countries where such practices occur.

3.3 ENVIRONMENTAL INFORMATION

3.3.1 Environment

The products that the Company designs and develops derive from the biological sciences, particularly molecular and cellular biology, and make use of biotechnological processes such as cell culture and purification to make it possible to move from bench scale to controlled and validated batches of product for clinical trials on humans.

The processes for manufacturing these products are especially complex and involve materials that present potential risks for people and the environment in the event of accidental exposure. These processes take place within several levels of confinement.

Thus, for example, the research and production laboratories are designed and equipped both to protect the product during its development from any outside contamination and to protect the employees as they do their work from accidental exposure to potentially hazardous products. The Company's operations are subject to pharmaceutical standards (Laboratory, Manufacturing and Clinical Best Practices) and to the provisions of the French Environmental Code that refer to the confined use of genetically modified organisms. In this regard, it is subject to administrative authority approval, given upon recommendation of the French High Council for Biotechnologies, for its viral vector constructions. This approval includes classification of these constructions and the manner in which they are confined for manipulation. The expenditures made by the Company on product quality have a safety and protection aspect but are not necessarily recorded as costs specifically incurred for this concern.

3.3.2 Environmental responsibility

3.3.2.1 General policy in environmental matters

Company's organization to deal with environmental issues and, if applicable, the steps it takes for environmental evaluation and certification.

The Company believes that the environmental impact of its bio-pharmaceutical research and development is quite insignificant inasmuch as the operations it calls for take place in a confined setting.

At this stage, the Company has not taken any steps to obtain environmental certification.

The impact of this activity on the environment is held in check in two ways:

- by strictly applying pharmaceutical quality standards that permit monitoring and tracking at all stages of the activity (air testing and treatment, quality of materials used, controlled flow of materials and personnel, etc.); and
- by observing the environmental regulations in force with respect to aspects not directly imposed by those standards (classification of research in terms of the regulations on genetically modified organisms, confinement of operations, effluent and waste handling and treatment, etc.)

Measures to train and inform employees concerning environmental protection

The Company has not taken special measures to train and inform employees concerning environmental protection.

Ways and means of preventing environmental hazards and pollution

The Company has a Health, Safety and Environment Department consisting of three people. Additionally, its research and development is conducted in a confined setting, and the materials and equipment dedicated to this function (air treatment filters, microbiological safety stations, autoclave, jars for effluent decontamination, etc.) contribute to the prevention of environmental hazards.

Amount of provisions and guarantees for environmental risks

The Company recognized no accounting provisions and provided no guarantees of this nature.

3.3.2.2 Pollution and waste management

Measures for preventing, reducing or repairing discharges into the air, water or soil with a serious impact on the environment

The Company's research and development takes place in a confined setting. This confinement is obtained through several levels of air treatment and controls: microbiological safety stations, depressurizing air to prevent its escape, total filters on the ventilation ducts, etc. The effluents from certain areas are collected and put through a thermal decontamination process before being thrown into the wastewater system.

Waste prevention, recycling and elimination measures

The Company's operations create a variety of wastes that require selective sorting for the sake of special processing. The Company has special contracts with qualified service providers for removal and treatment, in accordance with the standards and rules that govern these various categories.

In addition, the Company separately sorts and removes ordinary waste and particular wastes that require special precautions.

Mitigating noise pollution and any other form of pollution specific to an activity

Neither the activity nor the facilities of the Company create noise pollution.

3.3.2.3 Sustainable use of resources

Water usage and supply in keeping with local constraints

The Company's operations do consume water. This consumption changes directly with each R&D project and does not permit the construction of any useful indicators. The water used comes from the city's water distribution network, and there are no particular constraints on supply in the Alsace region.

WATER *(M^3)*

Year	TUP(1)	Change	TUR(2)	Change	Total	Change
2012	30,638	-	6,044	-	36,682	-
2013	27,371	-10.7%	8,401	-3.9%	35,772	-2.5%
2014	27,533	+0.5%	6,249	-25.6%	33,782	-5.6%

(1) Building where clinical batches are produced.

(2) Building of offices and laboratories.

Consumption of raw materials and measures taken to use them more efficiently

The Company does not directly consume raw materials. Materials going into the manufacture of its products are themselves manufactured products.

Energy consumption, measures taken to improve energy efficiency and use of renewable energy

The equipment in the research laboratories and the facilities for producing clinical batches run exclusively on electricity. The efforts concern a highly rigorous maintenance plan for this equipment to ensure optimal energy performance.

Only the clinical batch production building uses the natural gas utility as a source of energy, for heating, hot water and industrial steam.

The lab and office building uses heat pumps for heating and air-conditioning, and electricity for steam generation.

ELECTRICITY *(KWH)*

Year	Total	Change
2012	5,799,039	-
2013	5,518,118	-5%
2014	5,493,263	-0.42%

GAS *(KWH)*

Year	TUP*	Change
2012	4,934,115	+2%
2013	5,048,929	+2%
2014	5,069,559	+0.4%

* *As stated above, TUP is the only building that uses this form of energy.*

Land usage

Not applicable to the Company's operations.

Climate change

Emission of greenhouse gases

Conversion to CO_2 emission equivalents of the aforementioned energy usage by the ADEME emission factors, gives for 2014, 1,034,190.04 kg CO_2 equivalent for natural gas consumption (ADEME emission factor of 0.056) and 329,595.78 kg of CO_2 equivalent for electricity consumption (ADEME emission factor of 0.042).

Adaptation to the consequences of climate change

The Company has no activities that call for special measures for adapting to the consequences of climate change.

3.3.2.4 Protection of biodiversity

Measures taken to preserve or enhance biodiversity

Neither the Company's activities nor its facilities have an impact on biodiversity.

3.4 SOCIETAL INFORMATION: INFORMATION AS TO ACTIONS TAKEN IN SUPPORT OF SUSTAINABLE DEVELOPMENT

3.4.1 Local, economic and employment impact of the company

Impact on employment and regional development

The Company has since its founding in 1979 centered its activities in Strasbourg, though later in the nearby outskirts of that city. As the first genetic engineering company in France, it had a strong power of attraction locally, with professional opportunities for scientists, researchers and technicians in the life sciences.

On the neighboring or nearby community

The Company's main facility is located in a development area for high tech business, the Parc d'Innovation in Illkirch-Graffenstaden. There are therefore no immediate neighbors whom its operations could impact.

3.4.2 Relationships with persons or organizations who have an interest in the company's activities, particularly including associations for social inclusion, educational establishments, associations for environmental protection, consumer associations and neighboring communities

Conditions for dialogue with these persons or organizations

Without any official program, the Company is active locally, through some of its employees and within various associations such as Alsace Biovalley, which promotes expansion of life science businesses in the Alsace region, Strasbourg Sud Développement, which conducts programs to support employment in this sector, and the Pôle Solidaire (charity cluster) which raises money in the Parc d'Innovation for children welfare.

Partnering or sponsoring undertaken

There are no official sponsorship or partnerships.

3.4.3 Subcontractors and suppliers

Inclusion in purchasing policy of employment-related or environmental issues

The Company has not established any special way to include these issues in its purchasing policy.

Importance of subcontracting and inclusion in supplier and subcontractor relations of their employment-related and environmental responsibility

The Company makes significant use of the services of companies specializing in the conduct of clinical trials and related services, known as CROs (Contract Research Organizations) for most of its clinical trials. The Company also makes use of subcontractors for certain manufacturing operations. These contractors conduct their business in a strictly regulated environment, the purpose of which is to ensure the quality of the clinical trials performed and which are given Quality Assurance audits by the Company.

The observance by subcontractors working for and/or in the Company of their obligations as employers of their personnel working in the Company is part of their work specifications.

3.4.4 Fair commercial practices

Initiatives to prevent corruption

The Company has taken no special anti-corruption measures. It believes that the internal control procedures on the incurring of expenses, as part of its cash protection policy, constitute at this stage of its development effective measures of prevention.

Measures taken to foster consumers' health and safety

The Company has no products on the market. Its products, which are in the clinical development or research phase, are intended to treat cancer patients or those with chronic infectious diseases. They undergo clinical trials that fall under a strict regulatory framework the purpose of which is to ensure the effectiveness of the therapeutic products. When the Company's products do come on the market, they will have been granted a marketing authorization from the health authorities in the various countries where they are distributed.

Other measures in connection with No. 3 herein, to support human rights

The clinical trials conducted by the Company are carried out in strict observance of the informed consent of the individuals taking part in biological research.

3.5 INDEPENDENT THIRD-PARTY REPORT

Independent third-party report on the consolidated employee, environmental and societal information appearing in the management report

Transgene

Fiscal year ended December 31, 2014

Dear Shareholders,

In our capacity as an independent third-party organization accredited by COFRAC[1] under number 3-1050 and member of the network of one of the Statutory Auditors of Transgene, we submit to you our report on the consolidated employment, environmental and social information pertaining to the fiscal year ended 31 December 2014 and presented in Chapter 3 of the management report (hereinafter the "CSR information") pursuant to Article L. 225-102-1 of the French Commercial Code.

Corporate Responsibility

It is the duty of the Board of Directors to prepare a management report that includes the CSR information mentioned in Article R. 225-105-1 of the Commercial Code and to do so in accordance with the guidelines used by the Company (hereinafter "the Guidelines"), a summary of which appears in the introduction to Chapter 3 of the management report.

Independence and quality control

Our independence is defined by regulatory language, our professional code of ethics and the provisions in Article L. 822-11 of the French Commercial Code. Furthermore, we have adopted a quality control system that includes documented policies and procedures for compliance with ethical rules, professional standards and the applicable legal and regulatory texts.

Responsibility of the Independent Third-Party Organization

It is our responsibility, based on our findings:

- to certify that the CSR information required is present in the management report or, if omitted, that an explanation is provided pursuant to paragraph three of Article R. 225-105 of the French Commercial Code ("Certification of the presence of CSR information");
- to express a conclusion of moderate assurance that the CSR information taken as a whole is presented honestly and fairly in all material respects in accordance with the Guidelines (opinion, stating reasons, as to the honesty and fairness of the CSR information).

Our work was done by a team of three persons over two weeks between October 2014 and March 2015.

We conducted the work described hereinafter in accordance with the standards of professional practice applicable in France and with the decree of May 13, 2013 determining the ways in which the third-party independent organization is to carry out the assignment.

1. Attestation of the presence of the CSR information

Based on interviews with the managers of the departments concerned, we have familiarized ourselves with the statement of goals in regard to sustainable development, in light of the employee-related and environmental consequences of the Company's business activities and its social commitments and the actions or programs, if any, that result from that statement.

We compared the CSR information presented in the management report with the list given in Article R. 225-105-1 of the French Commercial Code.

(1) Scope of accreditation available at www.cofrac.fr.

When certain consolidated information was lacking, we made certain that explanations were provided in accordance with Article R. 225-105 par. 3 of the Commercial Code.

We verified that the CSR information covered the scope of consolidation, *i.e.* the parent company and its subsidiaries within the meaning of Article L. 233-1 and the companies that it controls within the meaning of Article L. 233-3 of that Code, within the limitations stated in the note on methodology given in Chapter 3 of this management report.

Based on this work and given the above-mentioned limitations, we attest to the presence in the management report of the required CSR information.

2. Substantiated opinion on the truthfulness of the CSR information

Nature and extent of our work

We conducted five interviews with the persons responsible for preparing the CSR information in the departments in charge of the process of gathering the information and, when necessary, those responsible for the internal control and risk management procedures, in order to:

- assess the appropriateness of the Guidelines in terms of their relevance, thoroughness, reliability, neutrality and comprehensibility, taking into consideration best practices, if any, in the sector;
- and verify the establishment of a process for gathering, compiling, processing and tracking information that would provide thorough and internally consistent CSR information, and review the internal control and risk management procedures used to prepare the CSR information.

We matched the nature and extent of our tests and audits to the nature and importance of the CSR information with respect to the characteristics of the company, the employee-related and environmental issues of its activities, its goals in terms of sustainable development and sectoral best practices.

With regard to CSR information that we deemed the most important(1):

- for the entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (as to organization, policies, actions, etc.), employed analytical procedures on the quantitative information, and checked, through sampling, the calculations and the consolidation of the data, checking them for consistency and agreement with the other information given in the management report(2).

As for the other consolidated CSR information, we judged its consistency in light of our knowledge of the Company.

Finally, we judged the validity of any explanations given relating to the total or partial absence of certain information.

It is our belief that the sampling methods and sample sizes we used in exercising our professional judgment allow us to draw a conclusion of moderate assurance. A higher level of assurance would have necessitated more extensive investigation. Due to the use of sampling techniques as well as to the limitations inherent in the operation of any information and internal control system, the risk of not detecting a material irregularity in the CSR information cannot be totally ruled out.

Conclusion

On the basis of our work, we did not find a material irregularity that might indicate that the CSR information taken as a whole is not honestly and fairly presented in accordance with the Guidelines.

Paris, La Défense, April 27, 2015

Independent Third-Party Organization

ERNST & YOUNG et Associés

Éric Duvaud
Partner for Sustainable Development

Bruno Perrin
Partner

(1) ***Environmental and social information:*** *general policy as to the environment, the sustainable use of resources (energy consumption, water consumption); regional, economic and employment impact (jobs, regional development), the importance of subcontracting and the consideration given to employment and environmental issues in the purchasing policy and relations with suppliers and subcontractors, fairness of commercial practices (measures to prevent corruption, measure to support the health and safety of consumers).*

(2) ***Employment information:*** *employment (total workforce and breakdowns, hires and terminations, compensation and its change over time), work schedules, absenteeism, employer-employee relations (arrangements for dialogue), workplace health and safety conditions, workplace accidents, including their frequency and seriousness, training policies, total hours of training, diversity and equal opportunity and treatment (measures as to gender equality, the hiring and inclusion of the disabled, anti-discrimination).*

4

ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2014

4.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

4.1.1 Consolidated financial statements

CONSOLIDATED BALANCE SHEET, IFRS *(IN THOUSANDS OF EUROS)*

Assets	Notes	12/31/2014	12/31/2013
CURRENT ASSETS			
Cash and cash equivalents	2	3,513	5,138
Other current financial assets	2	62,422	42,724
Cash, cash equivalents and other current financial assets	2	**65,935**	**47,862**
Receivables		1,540	1,896
Inventories		1,149	975
Other current assets	3	10,614	10,616
Total current assets		**79,238**	**61,349**
NON-CURRENT ASSETS			
Property, plant and equipment	4	23,641	23,988
Intangible assets	5	1,056	1,329
Financial assets	6	3,852	9,937
Equity consolidated affiliates	6	2,320	3,841
Other non-current assets	7	30,846	25,406
Total non-current assets		**61,715**	**64,501**
TOTAL ASSETS		**140,953**	**125,850**

Liabilities and equity	Note	12/31/2014	12/31/2013
CURRENT LIABILITIES			
Payables		8,296	9,364
Financial liabilities	8	8,992	8,830
Provisions for risks		127	103
Other current liabilities	9	4,148	5,699
Total current liabilities		**21,563**	**23,996**
NON-CURRENT LIABILITIES			
Financial liabilities	8	43,199	40,788
Defined benefit obligations	10	4,352	4,444
Other non-current liabilities		-	-
Total non-current liabilities		**47,551**	**45,232**
Total liabilities		**69,114**	**69,228**
EQUITY			
Share capital	11	88,156	72,933
Share premiums		476,255	428,023
Retained earnings		(442,707)	(399,849)
Net loss		(48,556)	(42,858)
Other comprehensive income		(1,309)	(1,627)
Total equity and reserves attributable to Company shareholders		**71,839**	**56,622**
TOTAL EQUITY AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**140,953**	**125,850**

CONSOLIDATED INCOME STATEMENT, IFRS

(in thousands of euros, except per share data)	Notes	12/31/2014	12/31/2013
Revenue from collaborative and licensing agreements	12	2,490	3,849
Government financing for research expenditures	12	9,262	11,886
Revenue		**11,752**	**15,735**
Research and development expenses	1.4.1	(49,824)	(50,063)
General and administrative expenses	1.4.2	(7,578)	(6,769)
Other revenue and (expenses), net	13	(1,282)	(101)
Net operating expenses		**(58,684)**	**(56,933)**
Operating income/(loss)		**(46,932)**	**(41,198)**
Interest income (expense), net	14	(801)	(730)
Income/(loss) before tax		**(47,733)**	**(41,928)**
Income tax expense	15	-	-
Income from equity consolidated affiliates		(824)	(930)
NET INCOME/(LOSS)		**(48,556)**	**(42,858)**
Basic earnings per share *(€)*	11	(1.26)	(1.34)
Diluted earnings per share *(€)*	11	(1.26)	(1.34)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(in thousands of euros)	12/31/2014	12/31/2013
Net income/(loss)	**(48,556)**	**(42,858)**
Foreign exchange gains/(losses)	18	(16)
Re-evaluation hedging instruments	(159)	217
Other elements of comprehensive income subsequently restated as income	**(141)**	**(201)**
Actuarial gains and losses on provision for retirements benefits	459	247
Other elements of comprehensive income subsequently non-recyclable as income	**459**	**247**
Other comprehensive income	**318**	**448**
COMPREHENSIVE INCOME	**(48,238)**	**(42,410)**
Of which, equity holder of the parent	*(48,238)*	*(42,410)*
Of which, minority interests	-	-

STATEMENT OF CASH FLOWS (IFRS)

(in thousands of euros)	Notes	12/31/2014	12/31/2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		(48,556)	(42,858)
Elimination of financial elements		801	731
ELIMINATION OF NON-CASH ITEMS			
Income from equity consolidated affiliates		824	930
Changes in provisions		267	97
Depreciation and amortization of tangible and intangible assets	4.5.6	3,039	2,911
Payments in shares	16.2	721	742
Other	13	1,034	191
Net cash generated from/(used in) operating activities before change in working capital and other operating cash flow		**(41,870)**	**(37,256)**
CHANGE IN OPERATING WORKING CAPITAL REQUIREMENTS			
Receivables	20	(977)	188
Inventories		(174)	133
Research tax credit	12.2	(8,702)	(9,073)
Other current assets	3	(61)	(614)
Payables	20	(899)	(156)
Prepaid income	9	(533)	(3,126)
Accrued employee benefits expense	10	(1,036)	(111)
Other current liabilities	8	16	(170)
Net cash generated from/(used in) operating activities		**(54,236)**	**(50,185)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Acquisition)/disposal of property, plant and equipment	4	(2,463)	(1,962)
(Acquisitions)/disposals of intangible assets	5	(139)	(222)
(Acquisition)/disposal of financial assets	6	3,134	(2,446)
Net cash used in investing activities		**532**	**(4,630)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash interest	14	(4)	244
Gross proceeds from issuance of share capital	11	65,664	70
Fees paid in relation to capital increase		(2,929)	-
Conditional subsidies	12.2	955	2,929
(Acquisitions)/disposal of other financial assets	2	(19,445)	43,931
Tax credits financing	8	8,438	7,418
Repayment of finance lease liabilities	8	(618)	(760)
Net cash generated from/(used in) financing activities		52,061	53,832
Effect of changes in exchange rates on cash and cash equivalents		**18**	**(16)**
Net increase (decrease) in cash and cash equivalents		**(1,625)**	**(999)**
Cash and cash equivalents at beginning of period		5,138	6,137
Cash and cash equivalents at end of period		**3,513**	**5,138**
Investments in other financial assets		62,422	42,724
CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS		**65,935**	**47,862**

STATEMENT OF CHANGES IN EQUITY, IFRS

(in € thousands)	Common shares		Issue premiums & reserves	Retained earnings (deficit) earnings (deficit)	Other comprehensive income	Profit (loss) for the period	Total attributable to shareholders of the company Shareholders business activity
	Number of shares	Equity					
At December 31, 2012	**31,854,490**	**72,886**	**427,258**	**(356,655)**	**(2,075)**	**(43,194)**	**98,220**
Share-based payments	9,600	22	765	-	-	-	787
Issue of shares	10,768	25	-	-	-	-	25
Allocation of net income 2012	-	-	-	(43,194)	-	43,194	-
Net loss 2013	-	-	-	-	-	(42,858)	(42,858)
Fair value gains on available-for-sale financial assets	-	-	-	-	(16)	-	(16)
Actuarial gains and losses on pension provision	-	-	-	-	247	-	247
Rate Swap	-	-	-	-	217	-	217
Net comprehensive income	-	-	-	-	448	(42,858)	(42,410)
As of December 31, 2013	**31,874,858**	**72,933**	**428,023**	**(399,849)**	**(1,627)**	**(42,858)**	**56,622**
Share-based payments	99,559	228	622	-	-	-	850
Issue of shares	6,553,551	14,995	47,611	-	-	-	62,606
Net profit/(loss) appropriation 2013	-	-	-	(42,858)	-	42,858	-
Net loss 2014	-	-	-	-	-	(48,556)	(48,556)
Fair value gains on Available-for-sale financial assets	-	-	-	-	18	-	18
Actuarial gains and losses on pension provision	-	-	-	-	459	-	459
Rate Swap	-	-	-	-	(159)	-	(159)
Net comprehensive income	-	-	-	-	318	(48,556)	(48,238)
AT DECEMBER 31, 2014	**38,527,968**	**88,156**	**476,256**	**(442,707)**	**(1,309)**	**(48,556)**	**71,840**

4.1.2 Notes to the consolidated financial statements (in thousands of euros, unless otherwise stated)

Foreword

The consolidated financial statements of Transgene (the "Company") at December 31, 2014 were prepared in accordance with the principles and methods defined by IFRS (International Financial Reporting Standards) as adopted by the European Union. They were approved by the Board of Directors on March 24, 2015.

The consolidated financial statements include:

- the balance sheet and statement of comprehensive income (including the income statement);
- the cash flow statement;
- the statement of changes in net position; and
- the notes to the financial statements.

Table of Contents of notes to the consolidated financial statements

NOTE 1 ACCOUNTING POLICIES

Accounting reference

The accounting principles used to prepare the consolidated financial statements comply with IFRS standards and interpretations as adopted by the European Union at December 31, 2014 and are available on the website

http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

NEW STANDARDS/AMENDMENTS EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER JANUARY 1, 2014 IN EUROPE

Standard/Interpretation	Date of application per IASB (periods beginning on or after)	Date of application in the European Union (periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	1/1/2013	1/1/2014
IFRS 11 – Joint arrangements	1/1/2013	1/1/2014
IFRS 12 – Disclosures of Interests in other entities	1/1/2013	1/1/2014
Transition guidance (Amendments to IFRS 10, 11, 12)	1/1/2013	1/1/2014
IAS 28 – Investments in associates and joint ventures	1/1/2013	1/1/2014
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1/1/2014	1/1/2014
Investment entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1/1/2014	1/1/2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1/1/2014	1/1/2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1/1/2014	1/1/2014

The impact of the application of these amendments is not significant.

OTHER STANDARDS/AMENDMENTS ADOPTED BY THE IASB BUT NOT YET APPLICABLE AT DECEMBER 31, 2014

Standard/Interpretation	Date of application per per IASB (periods beginning on or after)	Date of application in the European Union (periods beginning on or after)
IFRS 9 – Financial Instruments	1/1/2018	Endorsement expected H2 2015
IFRIC 21 – Levies	1/1/2014	6/17/2014
Defined benefit plans: employee contributions (Amendments to IAS 19)	7/1/2014	Endorsement expected Q4 2014
Annual improvements to IFRS (2010-2012)		Endorsement expected Q4 2014
IFRS 2 – Definition of vesting condition	Application to plans whose grant date is subsequent to 7/1/2014	
IFRS 3 – Accounting for contingent consideration in a business combination	Application to business combinations subsequent to 7/1/2014	
IFRS 8 – Aggregation of operating segments	7/1/2014	
IFRS 8 – Reconciliation of the total of the reportable segment's assets to the entity's assets	7/1/2014	
IFRS 13 – Short term receivables and payables	n/a	
IAS 16 – Revaluation method – proportionate restatement of accumulated depreciation	7/1/2014	
IAS 24 – Key management personnel	7/1/2014	
IAS 38 – Revaluation method – proportionate restatement of accumulated depreciation	7/1/2014	
Annual improvements to IFRS (2011-2013)		
IFRS 3 – Scope exceptions for joint ventures	7/1/2014	1/1/2015
IFRS 13 – Scope of paragraph 52 (portfolio exception)	7/1/2014	1/1/2015
IAS 40 – Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property	7/1/2014	1/1/2015
Amendments to IFRS 11 – Accounting for acquisition of interests in Joint Operations	1/1/2016	Endorsement expected Q1 2015
Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization	1/1/2016	Endorsement expected Q1 2015
IFRS 15 – Revenue from contracts with customers	1/1/2017	Endorsement expected Q2 2015
Agriculture: bearer plants	1/1/2016	Endorsement expected Q1 2015
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1/1/2016	Endorsement expected Q4 2015
Annual improvements to IFRS (2012-2014)		Endorsement expected Q3 2015
IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations	Changes occurring in financial years beginning after 1/1/2016	
IFRS 7 - Financial Instruments Disclosures	1/1/2016	
IAS 19 – Employee benefits	1/1/2016	
IAS 34 – Interim Financial Reporting	1/1/2016	
Amendments to IAS 1 – Disclosure initiative	1/1/2016	Endorsement expected Q4 2015
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the Consolidation Exception	1/1/2016	Endorsement expected Q4 2015

Transgene is currently analyzing the impacts and practical consequences of applying these new standards.

Basis of preparation of financial statements

The consolidated financial statements have been prepared in accordance with the general principles of IFRS: fair presentation, going concern, accrual basis of accounting, consistency of presentation, materiality and business combinations. They have been prepared on a historical cost basis except for available-for-sale financial assets, which are measured at fair value.

In order to prepare financial statements in conformity with IFRS, Transgene's management has made estimates and assumptions, concerning in particular preliminary estimates and deferred tax assets that may have an impact on assets and liabilities and the reported amounts of income and expenses for the year. Actual results may be significantly different from these estimates.

In view of the Company's business, management considers that all property, plant and equipment and intangible assets form part of a single cash-generating unit. At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. In the presence of such a presumption, or when annual impairment testing is required for an asset, the Company makes an estimate of the recoverable amount of the asset. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable amount is determined on an individual basis unless the asset generates cash inflows that are largely dependent on other assets or groups of assets. An impairment is recognized when the asset's carrying amount is higher than its recoverable amount. Its carrying amount is then written down to its recoverable amount. The value in use corresponds to the estimated future cash flows, discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Basis of consolidation

The consolidated financial statements include the financial statements of Transgene SA, Transgene, Inc. and Transgene Biopharmaceutical Technology (Shanghai) Co. Ltd. ("Transgene Shanghai"), wholly owned subsidiaries whose headquarters are located respectively in Rockville, Maryland (USA) and Shanghai (China). These companies are fully consolidated.

Intragroup balances and transactions are eliminated in consolidation, together with intragroup profits included in the carrying amount of assets.

The following investee companies of Transgene SA are consolidated by the equity method:

Company	Percent ownership	Nature of control
Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.	50.00%	Joint control
Elsalys Biotech SAS	23.72%	Significant influence
Platine Pharma Services SAS	9.87%	Significant influence

The significant influence of Transgene SA over Platine Pharma Services SAS as of December 31, 2014 was attributable to the role of Philippe Archinard in these two companies (Chairman and CEO of Transgene SA and Chairman of the Board of Directors of ABL Inc., the majority shareholder in Platine Pharma Services SAS), and to the strong commercial interdependence of the two companies.

Presentation of the consolidated income statement

The consolidated income statement is presented by function (research and development expenses and overhead expenses). The tables below break down these expenses by type.

RESEARCH AND DEVELOPMENT EXPENSES

(in millions of euros)	12/31/2014	12/31/2013	Change
Payroll costs[1]	19.8	19.4	+2%
Share-based payments[2]	0.5	0.6	-17%
Expenses for intellectual property and licensing costs[3]	1.3	1.7	-24%
External expenses for clinical projects[4]	7.6	12.5	-39%
External expenses for other projects[5]	7.6	3.9	+95%
Operating expenses[6]	10.1	9.3	+9%
Depreciation, amortization and provisions[7]	2.9	2.7	+7%
RESEARCH AND DEVELOPMENT EXPENSES	**49.8**	**50.1**	**-0.5%**

(1) Represents salaries, wages and social security charges, retirement charges and other such costs.

(2) Represents expense for share-based payments offered to employees.

(3) Represents expenses for filing and maintaining patents as well as the costs of licenses acquired or granted.

(4) Represents expenses for services, subcontractors and consulting on clinical development projects.

(5) Represents expenses for services, subcontractors and consulting on other research or manufacturing projects.

(6) Represents operating expenses of research and production laboratories (energy, consumables and raw materials, maintenance, technical services, overhead, etc.).

(7) Represents the depreciation on the real estate and furniture allocated to R&D and to operating provisions.

GENERAL AND ADMINISTRATIVE EXPENSES

(in millions of euros)	12/31/2014	12/31/2013	Change
Payroll costs[1]	3.7	3.2	+16%
Share-based payments[2]	0.2	0.2	N/S
Fees and administrative expenses[3]	2.5	2.3	+9%
Other general and administrative expenses[4]	1.1	0.9	+22%
Depreciation, amortization and provisions[5]	0.1	0.2	-50%
GENERAL AND ADMINISTRATIVE EXPENSES	**7.6**	**6.8**	**+12%**

(1) Represents salaries, wages and social security charges, retirement charges and other such costs.

(2) Represents expense for share-based payments offered to employees.

(3) Represents expenses for services, subcontracting and consulting for general and administrative departments.

(4) Represents operating expenses of general and administrative departments.

(5) Represents depreciation and operating provisions allocated to general and administrative activities.

Translation of foreign subsidiaries' financial statements

The currency used by the Company for the preparation of the consolidated financial statements is the euro.

The financial statements of Transgene Inc. are prepared in US dollars.

The financial statements of Transgene Shanghai are prepared in Yuan.

The balance sheets of Transgene Inc. and Transgene Shanghai have been converted into euros using the exchange rate at the balance sheet date and in the income statement using the exchange rate of the month of accounting. Differences arising from conversion are recognized in equity.

Foreign currency transactions

Foreign currency transactions are converted into euros at the average exchange rate for the month preceding the transaction.

At the balance sheet date, foreign currency cash and cash equivalents, receivables and payables are converted into euros at the exchange rate on the balance sheet date. The resulting translation differences are recognized in the income statement.

Transgene did not use any currency hedging instruments in 2014 and 2013.

Current assets

Cash and cash equivalents

Transgene's liquidity are invested mainly in low volatility and highly liquid, highly rated mutual funds (net asset value known daily). They are classified in assets as cash equivalents and evaluated at fair value in the income statement if their sensitivity and volatility to changes in interest rates is less than 0.5 and 1.0 respectively. In all other cases, they are classified as available-for-sale financial assets and valued at their fair value under equity.

Receivables

Receivables are measured at nominal value. All receivables are exclusively short term.

Inventories

Inventories consisting mainly of chemicals and laboratory supplies are measured at the lower of cost and market. Cost is determined by the weighted average cost method.

Other financial current assets

These are cash investments with the Institut Mérieux, the majority shareholder of Transgene, under a "Group" cash management agreement. Contractually, investments made by the Company as part of the centralized cash management are liquid within a maximum period of four business days and bear interest based on a rate equal to Euribor +0.15% when Institut Mérieux is in a net borrowing position at the group level and to Euribor when Institut Mérieux is in a net surplus at the Group level.

Other current assets

Prepaid expenses and the other current assets are initially recognized at cost and are subsequently measured at the lower of cost and net realizable value.

Non-current assets

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, in accordance with the benchmark treatment under IAS 16.

Straight-line depreciation is recorded based on the useful life of the asset by the Group, according to the following periods:

Type of asset	Depreciation period
Buildings	20 to 50 years
Fixtures and fittings	10 to 20 years
Machinery and equipment (machinery and laboratory equipment)	5 to 10 years
Office equipment and furniture	5 to 10 years
IT equipment	3 to 5 years

Intangible asset elements and their residual value are accounted for in the depreciation if the value thereof is deemed significant.

Property, plant and equipment are tested for impairment whenever there is an indication that their recoverable amount may be less than their carrying amount.

In accordance with IAS 17, assets held by finance leases are capitalized and amortized over the life of the asset. The corresponding amortization expense is recognized in the income statement under "Depreciation and amortization expenses".

Intangible assets

Straight-line amortization is recognized based on the useful life of the asset by the Group, using the following periods:

Type of intangible asset	Amortization period
Software and licenses	1 to 5 years
Patents acquired	5 years

Purchased intangible assets

Intangible assets consist of the acquisition costs of software and intellectual property licenses that are capitalized and amortized over their useful lives. The elements of intellectual property acquired are recognized as assets in accordance with IAS 38.

Internally developed intangible assets

Research expenses are expensed in the income statement in the period in which they are incurred.

Development costs incurred for the development of pharmaceutical products are capitalized when the requirements of IAS 38 are met. Given the nature of its products, the Company believes that the six criteria set out in IAS 38 "Intangible Assets" are deemed to be met only at the time of the filing of an application for market authorization. Capitalized development costs, if any, will be amortized over their useful life.

Patents and licenses acquired in connection with internal R&D projects are also recognized according to an identical principle. They are recognized as an expense during the research phase and are capitalized during the development phase when IAS 38 criteria are met.

Non-current financial assets

Financial assets consist of deposits and guarantees concerning leased assets or debt from a financial institution, equity securities, and cash advances made to certain subsidiaries. They are recorded at cost and depreciated, as needed, if their carrying value exceeds their recoverable amount as estimated by the Company.

The valuation of equity securities is based on an analysis using the discounted cash flow method (DCF). This valuation is periodically reviewed at each balance sheet date.

Equity consolidated affiliates

Equity consolidated affiliates consist of the stakes held by Transgene SA in Platinum Pharma Services SAS, Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. and ElsaLys Biotech SAS, (9.87%, 50% and 23.72%, respectively), which are accounted for using the equity method. These securities are recorded at cost less the share of losses attributable to Transgene SA.

The valuation of investments is based on an analysis using the discounted cash flow method (DCF). This valuation is periodically reviewed at each balance sheet date.

Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.

The value of Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. is currently, for the most part, related to its cash flow as well as a project in pre-clinical development. This value thus depends largely on the discounting assumptions adopted to value the products.

These estimates mainly concern the probability of technical and regulatory success ("PTRS") of the product and potential market. The market potential is regularly reviewed by the Company. The PTRS, which depends on the stage of development of the product, is calculated from reference publications in the field.

Elsalys Biotech SAS

The value of ElsaLys Biotech SAS is currently, for the most part, tied to the value of its programs, which are at a very early stage of development. This value therefore depends mainly on the discounted cash flow assumptions adopted to value the products.

These assumptions mainly concern the probability of signing a license agreement for these products in the short or medium term, as well as agreement to the financial terms of such license agreements.

Platine Pharma Services SAS

The value of Platine Pharma Services SAS is currently mainly tied to its business prospects and profitability.

Deferred taxes

Transgene uses the balance sheet method for recognizing deferred taxes. Using this method, deferred taxes are calculated on the basis of the temporary differences between the tax values and the carrying amount of assets and liabilities presented in the balance sheet.

Deferred taxes are evaluated using the liability method, on the basis of the tax provisions and tax rates applied when these differences invert.

Deferred tax assets are recognized for all deductible temporary differences, as well as for unused tax loss carry-forwards, carryback credits and other tax credits when it is probable that sufficient taxable profit shall be available against which the unused tax losses or unused tax credits can be used. Their posting is limited to the amount of deferred tax liabilities.

Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each period end and reduced to the extent that it is no longer probable that a sufficient taxable profit will be available to allow the deferred tax asset to be used. To assess the likelihood that taxable income will be available, consideration was given to the history of the results of previous years, forecasts of future results, non-recurring items not likely to recur in the future and the entity's fiscal policy. As a result, assessing the probability that unused tax losses or tax credits can be used involves a degree of judgment on the part of management. If the Group's future taxable earnings were considerably different from those anticipated, the Company would be obliged to revise the carrying value of deferred tax assets upward or downward, which could have a significant effect on the Group's balance sheet and income statement.

Deferred taxes on items recognized directly in equity are also recorded in equity without affecting the income statement.

Non-current liabilities

Share issue costs

Capital increase expenses net of deferred tax where applicable are charged directly against the issue premium, once the increase is completed.

Conditional advances

Conditional advances are only reimbursed if the research and development projects that they finance are successful. They are recognized under long-term financial debt in accordance with IAS 20.

Employee benefits

In accordance with the prevailing laws and practices in France, Transgene SA offers certain benefits to ensure eligible employees receive a lump sum payment at the time of retirement (severance retirement plan). The Group's obligation under these defined benefit plans may be funded by plan assets consisting of various instruments, in line with the relevant government regulations.

The rights acquired by active staff are estimated using actuarial valuations based on the probability of death and continued employment by the Company, as well as expected future salaries. Commitments are valued using the projected credit unit method.

In 2014, the Company also introduced an incentive program for its executive managers that provides for an additional bonus based on the Company's five-year share price performance.

The obligations are estimated according to the actuarial valuations, which include among other factors the volatility of the stock price and the likelihood of presence. The methodology applied is the standard valuation method absent the possibility of negotiation.

Provisions for contingencies and charges

Provisions are made to cover liabilities and expenses related to the Group's operations.

Operating income

Revenue from collaboration and licensing agreements

Transgene has entered into certain contracts for the provision of research or manufacturing services on a best-efforts basis. Transgene bills for its services at a contractually defined price, which is generally based on time spent, and billings are recorded in operating income as and when the services are performed.

Revenue from these contracts is recognized when the services are performed. In these cases, the services are recognized in operating income on the income statement after a satisfactory quality inspection and acceptance by the client.

Cash receipts corresponding to income not yet recognized in income in accordance with the principles outlined above are recorded *in Deferred income* on the balance sheet, until they meet the criteria for recognition in operating income.

Income from patent licenses generally consists of fees for access to technology paid and non-refundable on the signing of the agreement, and financing by milestone payments and other payments such as royalties on sales.

Right of option agreement

Transgene may be required to grant a right of option agreement. Income associated with the concession is registered in Deferred income on the balance sheet and recognized in income linearly until the estimated date of exercise of the option by the beneficiary. The expected date of exercise of the option is reviewed periodically.

Non-refundable fees for technology usage rights paid when the license is signed

In the event that Transgene is not committed to perform work for the development of technology after signature, these rights are recognized in operating income upon the fulfillment of the contractual obligations.

In the event that Transgene continues some technology development work after signature or Transgene has a higher obligation to deliver the product, these rights are recognized in operating income to be deferred over the period of development or delivery of the product.

Milestone payments

Milestone payments under collaborative agreements are recognized as revenue upon achievement of the incentive milestone events and when Transgene has no future performance obligations related to the payment. Operative events are usually the scientific or clinical results obtained by Transgene, the commencement of studies or external factors such as regulatory approvals.

Royalties on sales

Royalties on sales are based on sales by licensees of products or technologies. They are recognized on the basis of the license terms, when the sales can be reliably measured and recovery of the related receivables is reasonably assured.

Government financing for research expenditure

Research tax credit

Certain research and development expenses in France are entitled to a research tax credit recognized at the end of the year in which the expense was recorded and the tax credit claimed. If it has not been used by allocation to a tax charge, the tax credit may be redeemed in accordance with the tax provisions.

Research tax credits are recognized in the income statement under "Government grants" in accordance with IAS 20.

Research and development grants

Transgene receives government subsidies from local, national or regional bodies that cover all or part of the research and development done on specific projects or topics. This assistance can take the form of subsidies or reimbursable advances.

In that case, the Company recognizes on the income statement at the line "*Public financing of research expenses*" the portion of subsidies due under the agreements based on the percentage of expenses incurred as of the reporting date.

Conditional advances (received or due) are not recognized on the income statement. They are recognized on the liabilities side of the balance sheet at the time they are received.

Research and development expenses

Research expenses are expensed in the income statement in the period in which they are incurred.

Development costs will be capitalized only when the requirements of IAS 38 are met.

Share-based payments

Transgene gives stock options and free shares to its executives and other employees. The corresponding expense for these distributions is evaluated and spread over time, according to the principles of IFRS 2.

Basic loss per share

Earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period.

Contribution to Value Added Enterprises (CVAE)

The CVAE is recorded, if any, in operating expenses under *Overhead expenses*.

Tax credit for Competitiveness and Employment (CICE)

The CICE, if any, is recognized as a decrease under *Employee benefits expenses*.

NOTE 2 CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

(in € thousands)	12/31/2014	12/31/2013
Cash	638	852
Marketable securities	2,875	4,286
Cash and cash equivalents	**3,513**	**5,138**
Other current financial assets	**62,422**	**42,724**
TOTAL	**65,935**	**47,862**
Impact of applying the fair value recognized in financial income to the income statement	0.5	0.5

Marketable securities consists of shares of short-term mutual funds.

Other current financial assets consists of investments made through a cash pool set up by the Institut Mérieux group.

NOTE 3 OTHER CURRENT ASSETS

(in € thousands)	12/31/2014	12/31/2013
Research tax credit, current portion	7,555	7,871
Recoverable VAT and tax receivables	879	562
Credit notes receivable	115	200
Employee benefits expense	44	53
Accrued subsidies	941	1,103
Prepaid expenses, current portion	1,080	827
TOTAL	**10,614**	**10,616**

The current portion of research tax credits represents the amount receivable for 2011 that is expected to paid by the tax administration in the first half of 2015 (see Note 7).

NOTE 4 PROPERTY, PLANT & EQUIPMENT

(in € thousands)	12/31/2013	Increase	Decrease	12/31/2014
ACQUISITION COSTS				
Buildings under finance leases	19,653	-	-	19,653
Land, buildings and fixtures	7,346	779	(50)	8,075
Laboratory equipment	16,294	1,425	(114)	17,605
Vehicles, office and computer equipment	2,168	119	(43)	2,244
Assets under construction	652	1,151	(1,165)	638
Total	**46,113**	**3,474**	**(1,372)**	**48,215**
DEPRECIATION, AMORTIZATION AND PROVISIONS				
Buildings under finance leases	(7,671)	(1,068)	-	(8,739)
Land, buildings and fixtures	(2,917)	(322)	43	(3,196)
Laboratory equipment	(10,168)	(1,045)	110	(11,103)
Vehicles, office and computer equipment	(1,369)	(205)	38	(1,536)
Total	**(22,125)**	**(2,640)**	**191**	**(24,574)**
TOTAL NET	**23,988**	**834**	**(1,181)**	**23,641**

(in € thousands)	12/31/2012	Increase	Decrease	12/31/2013
ACQUISITION COSTS				
Buildings under finance leases	19,653	-	-	19,653
Land, buildings and fixtures	6,869	491	(14)	7,346
Laboratory equipment	15,329	1,262	(297)	16,294
Vehicles, office and computer equipment	2,254	84	(170)	2,168
Assets under construction	580	1,149	(1,077)	652
Total	**44,685**	**2,986**	**(1,558)**	**46,113**
DEPRECIATION, AMORTIZATION AND PROVISIONS				
Buildings under finance leases	(6,562)	(1,109)	-	(7,671)
Land, buildings and fixtures	(2,611)	(320)	14	(2,917)
Laboratory equipment	(9,391)	(887)	110	(10,168)
Vehicles, office and computer equipment	(1,316)	(218)	165	(1,369)
Total	**(19,880)**	**(2,534)**	**289**	**(22,125)**
TOTAL NET	**24,805**	**452**	**(1,269)**	**23,988**

The depreciation expense for the property, plant and equipment reported in Transgene's income statement is as follows:

(in € thousands)	12/31/2014	12/31/2013
Research and development expenses	2,582	2,476
General and administrative expenses	58	58
TOTAL DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT	**2,640**	**2,534**

Disbursements for acquisitions of tangible fixed assets totaled €2.295 million in 2014 (€1.895 million in 2013).

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NOTE 5 INTANGIBLE ASSETS

(in € thousands)	12/31/2013	Increase	Decrease	12/31/2014
ACQUISITION COSTS				
Intangible assets	3,945	144	-	4,089
Intangible assets in progress	166	175	(180)	161
Total	**4,111**	**319**	**(180)**	**4,250**
DEPRECIATION, AMORTIZATION AND PROVISIONS				
Other intangible assets	(2,782)	(412)	-	(3,194)
Total	**(2,782)**	**(412)**	**-**	**(3,194)**
TOTAL NET	**1,329**	**(93)**	**(180)**	**1,056**

(in € thousands)	12/31/2012	Increase	Decrease	12/31/2013
ACQUISITION COSTS				
Intangible assets	3,353	597	(5)	3,945
Intangible assets in progress	541	189	(564)	166
Total	**3,894**	**786**	**(569)**	**4,111**
DEPRECIATION, AMORTIZATION AND PROVISIONS				
Other intangible assets	(2,397)	(390)	5	(2,782)
Total	**(2,397)**	**(390)**	**5**	**(2,782)**
TOTAL NET	**1,497**	**396**	**(564)**	**1,329**

The depreciation expense for the intangible assets reported in Transgene's income statement is as follows:

(in € thousands)	12/31/2014	12/31/2013
Research and development expenses	387	365
General and administrative expenses	25	25
TOTAL AMORTIZATION EXPENSES FOR INTANGIBLE ASSETS	**412**	**390**

Disbursements for acquisitions of intangible assets amounted to €139 thousand in 2014 (€222 thousand in 2013).

NOTE 6 FINANCIAL ASSETS

NON-CURRENT FINANCIAL ASSETS

(in € thousands)	12/31/2013	Increase	Decrease	12/31/2014
ACQUISITION COSTS				
Non-current financial assets	2,892	1,878	(823)	3,947
Investments in non-consolidated companies	7,074	-	(7,045)	29
Total cost	**9,966**	**1,878**	**(7,868)**	**3,976**
Provision for impairment	(29)	(95)	-	(124)
Total	**(29)**	**(95)**	**-**	**(124)**
TOTAL NET	**9,937**	**1,783**	**(7,868)**	**3,852**

The increase of €1.878 million in non-current financial assets in 2014 mainly represents €885 thousand of holdback on the monetization in the first half of 2014 of the 2013 research tax credit, as well as a conversion granted to Elsalys Biotech SAS of a note receivable into a non-interest bearing current account, in the amount of €718 thousand.

The decrease of €823 thousand in non-current financial assets represents the refunding of the holdback in connection with the monetization of the 2010 research tax credit paid by the French government in 2014.

The decrease of €7,045 thousand in equity investments in 2014 reflects the sale of the Jennerex, Inc. stock to SillaJen, Inc., of which €2,331 thousand was paid in 2014. (See Note 13)

EQUITY CONSOLIDATED AFFILIATES

The table below shows the gross amounts (acquisition cost), provisions for impairment, and income for the above equity affiliates:

(in € thousands)	12/31/2013	Increase	Decrease	12/31/2014
ACQUISITION COSTS				
Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.	3,976	-	-	3,976
Platine Pharma Services SAS	993	-	(699)	294
Elsalys Biotech SAS	501	-	-	501
Total (at historical cost)	**5,470**	**-**	**(699)**	**4,771**
Share of profit (loss) of Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.	(458)	-	(1,198)	(1,656)
Share of profit (loss) of Platine Pharma Services SAS	(911)	617	-	(294)
Share of profit (loss) of Elsalys Biotech SAS	(260)	-	(241)	(501)
Total loss and shares of income attributable to Transgene	**(1,629)**	**617**	**(1,439)**	**(2,451)**
Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.	3,518	-	(1,198)	2,320
Platine Pharma Services SAS	82	617	(699)	-
Elsalys Biotech SAS	241	-	(241)	-
NET VALUE OF EQUITY AFFILIATES	**3,841**	**617**	**(2,138)**	**2,320**

Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.

At December 31, 2014, Transgene held 50% of Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. and the net valuation of its interest stood at €2,320 thousand.

This valuation was reviewed as of the December 31, 2014 balance sheet date. This review is based on an analysis using the discounted cash flow (DCF) method described in Note 1.7.4.

The discounted cash flow of Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. is calculated from the weighted average cost of capital (WACC), which is in turn based on a so-called market-comparable approach. A change of a 1 percentage point increase in the WACC would have a negative impact of about 15% on the valuation of Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. A change of a 5% decrease in the PTRS used for the two most advanced products would have a negative impact of about 50% on the valuation of Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.

At December 31, 2014, the Company believed that the balance sheet value for its interest in Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. reflected its fair value and reasonably possible changes in key assumptions would not lead to a fair value lower than the balance sheet value.

Platine Pharma Services SAS

In July 2014, Platine Pharma Services SAS undertook an equity reduction by reducing the par value of its shares.

This operation was followed by a capital increase in cash of €435 thousand by creating new shares without preferential subscription rights, entirely subscribed by Advanced Bioscience Laboratories, Inc. (ABL). The effect on Transgene was to reduce the value of its equity investment by €599 thousand.

On August 14, 2014 as part of the subscription of the capital increase of ABL, Inc., Transgene transferred to the latter at no cost 14,764 shares of Platine, which led to the recognition of a loss during the period of €100 thousand. And the end of the deal, Transgene's ownership of Platine Pharma Services stock was 9.87%.

At December 31, 2014 the net valuation of the investment in Platine Pharma Services SA was zero, and Transgene also held a shareholders' current account of €200 thousand in the company and a conditional loan of €189 thousand impaired to €95 thousand.

Elsalys Biotech SAS

At December 31, 2014, Transgene held 23.72% of ElsaLys Biotech SAS and the net valuation of its interest was zero. The Company also held a shareholder current account of €718 thousand and receivables of €214 thousand. These receivables are fully recoverable.

NOTE 7 OTHER NON-CURRENT ASSETS

(in € thousands)	12/31/2014	12/31/2013
Research tax credit, non-current portion	25,924	25,051
CICE, non-current portion	485	210
Prepaid expenses, non-current portion	59	145
Receivables from the sale of participating interests	4,378	-
OTHER NON-CURRENT ASSETS	**30,846**	**25,406**

Research tax credits and CICE

At December 31, 2014, the Company had a receivable of €33.479 million (the non-current portion of which was €25.924 million) for the research tax credits for 2011, 2012, 2013 and 2014 and a receivable of €485 thousand on the CICE for 2013 and 2014. These receivables can be used to offset income tax payments. In the event of non-use, a refund in cash can be requested according to the following schedule, in accordance with the tax rules in force (in thousands of euros).

Reference years	Refund years expected	12/31/2014	12/31/2013
CURRENT PORTION			
2010	2014	-	7,871
2011	2015	7,894	-
Tax adjustment	**2015**	**(339)**	**-**
Total current portion		**7,555**	**7,871**
NON-CURRENT PORTION			
2011	2015	-	7,894
2012	2016	8,289	8,289
2013	2017	8,852	8,868
2014	2018	8,783	-
Total non-current portion		**25,924**	**25,051**
TOTAL CIR		**33,479**	**32,922**
NON-CURRENT PORTION			
2013	2017	210	210
2014	2018	275	-
Total non-current portion		**485**	**210**
TOTAL CICE		**485**	**210**

Receivables from the sale of participating interests

The receivable from the sale of participating interests of €4.378 million represents the estimated net present value of the balance of the price that Transgene expects to receive on the sale of its interest in Jennerex, the payment of which is spread over time and subject to certain conditions. This receivable was valued using the best possible estimate of the dates on which payment milestones would be achieved. Such dates could extend to 2019. These future cash flows have been discounted and their probability calculated. The discounted cash flow rate is calculated on the basis of the weighted average cost of capital (WACC), which is itself based on a so-called market-comparable approach. A 1 percentage point increase in the WACC would have a negative impact of about 2% on the value of the receivable. A 10% decrease in the probability used for the occurrence of future payments would have a negative impact of approximately 12% on the value of the receivable.

NOTE 8 FINANCIAL LIABILITIES

The following table breaks down financial liabilities by maturity:

(in € thousands)	12/31/2014	12/31/2013
Financial liabilities, current portion	8,992	8,830
Financial liabilities, non-current portion	43,199	40,788
FINANCIAL LIABILITIES	**52,191**	**49,618**

At December 31, 2014, the main financial liabilities related to the financing of research tax credits in 2011, 2012 and 2013 and of CICE for 2013 and 2014, the property financial lease (headquarters and main research and development laboratories) and conditional BPIFrance advances.

FINANCIAL LIABILITIES, CURRENT PORTION

(in € thousands)	12/31/2014	12/31/2013
Property leasing (see Note 8.2)	942	906
Equipment leasing	156	53
Financing of research tax credit in 2011 (see Financial liabilities, non-current portion)	7,894	7,871
FINANCIAL LIABILITIES – CURRENT PORTION	**8,992**	**8,830**

Equipment leasing

Transgene acquired equipment under a financial lease in 2013 and in 2014.

Funding of research tax credit

See Financial liabilities, non-current portion.

FINANCIAL LIABILITIES, NON-CURRENT PORTION

(in € thousands)	12/31/2014	12/31/2013
Property leasing	9,259	10,200
Equipment leasing	332	147
Interest rate swaps - fair value (see Note 21)	659	501
Conditional advances	15,324	13,802
Financing of research tax credit in 2012 and 2013	17,095	16,138
Financing of CICE in 2013 and 2014	530	-
FINANCIAL LIABILITIES, NON-CURRENT PORTION	**43,199**	**40,788**

Property leasing

In December 2008, Transgene consolidated all of its teams on the Illkirch site, in the suburbs of Strasbourg. The project consisted of transferring all activities that had been located in the center of Strasbourg to a new building of approximately 6,900 m² of offices and laboratories in order to meet space requirements and improve working conditions. Construction and land costs totaled €15.6 million. This investment was financed by a 15-year financial lease, signed with a banking consortium in October 2007, with a residual value of €1.1 million. The first lease payment was made on January 1, 2009.

The balance of the principal amount at December 31, 2014 was €10.2 million, compared to €11.1 million at December 31, 2013. The following table shows the breakdown of this debt, based on the maturity, financial costs and present value of individual payments:

	12/31/2014		12/31/2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Due within 1 year	1,056	1,037	1,033	1,002
Due in one to 5 years	4,520	4,233	4,401	3,949
Total future minimum lease payments	10,817	9,789	11,852	9,904
Finance costs included in total	617	575	745	658
Principal remaining:	10,200	9,214	11,107	9,246
• *of which current*	*941*	*924*	*906*	*878*
• *of which non-current*	*9,259*	*8,290*	*10,201*	*8,368*

Conditional advances

At December 31, 2014, conditional advances referred mainly to repayable advances received under the ADNA ("Advanced Diagnostics for New Therapeutic Approaches") program, which receives public funding from BPIFrance, for €15.144 million. This amount represents the advances received since the start of the program in 2007, or €13.351 million, as well as the cumulative interest on this financing of €1.793 million. These advances are reimbursable provided our product TG4010 reaches a revenue threshold and in proportion to this revenue until a reimbursement ceiling is reached.

The Company may receive up to €2.6 million in additional repayable advances over the remaining term of the ADNA program, *i.e.*, until 2017.

Financing of research tax credit

The table below breaks down the components of the bank financing of receivables for the Company's research tax credit:

			ASSETS					LIABILITIES	
			Receivables *Other assets*		Security deposit	Prepaid interest	TOTAL	Funding *Financial liabilities*	
	Gross Amount	Bank Financingl	Current portion	Non-current portion	Financial assets	Other assets	Assets	Current portion	Non-current portion
CIR 2011	7,555	Yes	7,555	-	789	116	8,460	7,894	-
CIR 2012	8,289	Yes	-	8,289	825	-	9,114	-	8,243
CIR 2013	8,852	Yes	-	8,852	885	-	9,737	-	8,852
CIR 2014	8,783	No	-	8,783	-	-	8,783	-	-
TOTAL CIR	**33,479**		**7,555**	**25,924**	**2,499**	**116**	**36,094**	**7,894**	**17,095**
CICE 2013	210	Yes	-	210	10	-	220	-	210
CICE 2014	275	Yes	-	275	48	-	323	-	320
TOTAL CICE	**485**		**-**	**485**	**58**	**-**	**543**		**530**

NOTE 9 OTHER LIABILITIES

OTHER CURRENT LIABILITIES

(in € thousands)	12/31/2014	12/31/2013
Tax and social liabilities	3,951	4,987
Deferred income	111	643
Of which:		
• *Novartis option right*	-	*252*
• *Subsidies*	*81*	*338*
• *Other*	*30*	*53*
Other short-term payables	86	69
TOTAL	**4,148**	**5,699**

NOTE 10 EMPLOYEE BENEFITS

In accordance with French law, Transgene SA participates in the funding of pensions for employees in France through the payment of contributions calculated on the basis of wages to bodies that manage retirement programs. For certain of its employees in France, Transgene also makes contributions, again based on wages, to private supplementary pension entities. There are no other obligations related to these contributions.

The volume of accumulated training hours corresponding to rights acquired under the Individual Right to Training (DIF) was 25,008 hours at December 31, 2014 (based on hours validated on January 1, 2015). 844 hours of training were taken during 2014. The corresponding provision at December 31, 2014 amounted to €100 thousand.

Provisions for retirement benefit obligations

Transgene is also liable for statutory length-of-service awards payable to employees in France upon retirement. The compensation benefits are due only to employees on the Company's payroll at the time of retirement. The assumptions used to calculate the pension liabilities were as follows:

	12/31/2014	12/31/2013
Discount rate	2.25%	3.00%
Rate of future salary increases	2.00%	2.50%
Retirement age:		
• Managers	65	65
• Non-managers	63	63

The following table summarizes the conditions and amounts of actuarial pension obligations at December 31, 2014 and 2013 according to IAS 19 revised:

	December 31	
(in € thousands)	**2014**	**2013**
CHANGE IN THE VALUE OF OBLIGATIONS		
Projected benefit obligation at January 1	4,344	4,481
Cost of services rendered for the year	332	345
Cost of discounting	124	113
Change in assumptions	(338)	(125)
Reductions/terminations	(133)	(288)
Actuarial (gain)/loss	(121)	(121)
Benefits paid during the year	(32)	(61)
Projected benefit obligation for retirement	**4,176**	**4,344**
DEFINED BENEFIT COST FOR THE YEAR		
Cost of services rendered for the year	332	345
Cost of discounting	124	113
Reductions/terminations	(133)	(288)
Cost of services and discounting	**323**	**171**
REVALUATIONS OF NET LIABILITIES/(ASSETS)		
Actuarial losses (gains) related to changes in demographic assumptions	(468)	2
Actuarial losses (gains) related to changes in financial assumptions	130	(127)
Actuarial losses (gains) related to experience	(121)	(121)
Total	**(459)**	**(246)**
CHANGE IN NET LIABILITIES/(ASSETS)		
Liability/(asset) at beginning of year	4,344	4,481
Amount recognized in the income statement	323	171
Disbursements	(32)	(61)
Amount recognized in other comprehensive income	(459)	(247)
Liability/(asset) at end of year	**4,176**	**4,344**
TOTAL AMOUNTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME		
Accumulated amounts recognized at beginning of year	652	899
Revaluations of net liabilities/(assets) for the year	(459)	(247)
Accumulated amounts recognized at end of year	193	652
Deferred taxes	(66)	(224)
Net cumulative amounts recognized as income at end of year	126	427

A sensitivity test of the discount rate quantified the impact on the value of the obligation and the cost of services:

- a discount rate of 2.00% would cause an increase in the obligation of 3.3% and in the cost of services of 3.8% for the year;
- a discount rate of 2.50% would cause a decrease in the obligation of 3.1% and in the cost of services of 3.8% for the year.

Incentive program linked to the increase in the Company's valuation

In 2014, Transgene introduced an incentive program for its executive managers that provides for an additional bonus based on the Company's five-year share price performance.

At December 31, 2014 an obligation of €75 thousand was given an accounting provision on the Company's balance sheet.

NOTE 11 SHAREHOLDERS' EQUITY

Capital

At December 31, 2014, the number of outstanding shares of Transgene were 38,527,968, representing share capital of €88,155,914.18.

Shareholders have preferential subscription rights during capital increases in proportion to their existing interests. This right may be waived in certain circumstances by a resolution voted in an Extraordinary General Meeting. Preferential subscription rights that have not been waived are negotiable during the subscription period.

In 2014 the following capital increases were made:

- the issue of 6,553,551 new shares at €10 per share as part of two rounds of equity funding in March, one with preferential subscription rights and the other by private placement;
- the issue of 17,809 new shares on the exercise of stock options and the issuance of new corresponding shares at a weighted average price per share of €7.21;
- issuance of 81,750 new free shares at no cost to employees of the Company.

Basic loss per share

The following table reconciles basic and diluted loss per share. The number of shares is calculated on a prorated basis.

	12/31/2014	12/31/2013
BASIC LOSS PER SHARE		
Available net profit attributable to equity holders of the Group *(in € thousands)*	(48,556)	(42,858)
Average number of shares outstanding	38,527,968	31,874,858
Basic earnings per share *(in €)*	**(1.26)**	**(1.34)**
Diluted earnings per share *(in €)*	**(1.26)**	**(1.34)**

At December 31, 2014 and 2013, instruments granting rights to deferred capital (stock options and free shares) were considered anti-dilutive since they resulted in an increase in earnings per share from continuing operations. As a result, the diluted earnings per share in 2014 and 2013 were the same as basic earnings per share for the year concerned.

Stock option plans

SUMMARY TABLE OF STOCK OPTION PLANS

	Plan No. 3	Plan No. 4	Plan No. 5	Plan No. 6
Shareholders' Meeting date	6/9/2004	6/9/2006	6/9/2008	6/17/2010
Board of Directors meeting date	2/9/2005	12/6/2006	12/16/2008	12/7/2010
	5/18/2005	10/4/2007	12/9/2009	12/13/2012
	1/1/2006	12/19/2007	12/7/2010	
	12/6/2006	12/16/2008		
Total number of shares to be subscribed or purchased	300,000	450,000	250,000	400,000
Starting point for exercise of options	2009	2010	2012	2015
	2010	2011	2013	2017
		2012	2015	
Expiration date	2015	2016	2018	2020
	2016	2017	2019	2022
		2018	2020	
Subscription price *(euros)* (equal to the average of the market price of the 20 trading days prior to the grant date, excluding discount) adjusted following the capital increase with preferential subscription rights in 2010, in accordance with the French Commercial Code	6.38	11.78	11.097	14.31
	7.12	16.23	17.26	7.92
	7.38	15.14	14.31	
	11.78	11.09		

OPTIONS OUTSTANDING AND EXERCISABLE OPTIONS AT DECEMBER 31, 2014:

	Number of shares
Options outstanding at December 31, 2013	**1,262,242**
Options exercisable at end of period	*882,242*
Options awarded in 2014	-
New options created following the capital increases with preferential subscription rights	28,802
Options exercised in 2014	(17,108)
Cancelled or expired options in 2014	(85,839)
Options outstanding at December 31, 2014	**1,188,097**
Options exercisable at end of period	*886,231*

Expense calculated for share-based payments

The cost of services rendered is recognized as an expense over the vesting period. The expense amounted to €421 thousand in 2014 same as 2013.

Free share allocation plans

SUMMARY TABLE OF SHARE PLANS

	Plan No. 1	Plan No. 2
Shareholders' Meeting date	6/9/2008	6/17/2010
Total number of shares to be subscribed or purchased	100,000	120,000
Board of Directors meeting date	12/16/2008	12/7/2010
	12/9/2009	12/13/2012
	12/7/2010	
Total number of free shares awarded	73,800	74,900
	11,100	44,320
	15,100	
Date of final allocation and expiration date (as both periods are taken into account)	12/15/2012	12/6/2014
	12/8/2013	12/12/2016
	12/6/2014	
Share value on the date of allocation (opening price on the date of allocation)	€12.10	€14.37
	€19.67	€8.36
	€14.37	

FREE SHARES AWARDED AND VESTED AS OF DECEMBER 31, 2014

	Number of shares
Free shares awarded at December 31, 2013	**138,850**
Free shares vested by the beneficiaries in 2013	*(9,600)*
Free shares cancelled in 2014	(4,910)
Free shares granted in 2014	-
Free shares vesting to the beneficiaries in 2014	*(81,750)*
Free shares awarded as of December 31, 2014	**42,590**

Expense calculated for share-based payments

The cost of services rendered is recognized as an expense over the vesting period. The expense amounted to €300 thousand in 2014 and €320 thousand in 2013.

NOTE 12 OPERATING INCOME

REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

(in € thousands)	12/31/2014	12/31/2013
Revenue from research and development production and collaboration	1,668	2,246
License fees and royalties	822	1,603
TOTAL	**2,490**	**3,849**

Revenue from production and collaboration largely means production or research work done for third parties, including in 2014 Jennerex, Inc. on the Pexa-Vec product and Emergent Biosolutions, Inc. on a candidate product to fight tuberculosis.

Licensing income consists of "payment on signing" or "progress payment" revenue from products under development, amounting to €252 thousand in 2014 (€1,009 thousand in 2013) and revenue from the sale of technologies or products licensed out by Transgene SA, which amounted to €566 thousand in 2014 (and €590 thousand in 2013.)

GOVERNMENT FINANCING FOR RESEARCH EXPENDITURES

(in € thousands)	12/31/2014	12/31/2013
Research and development grants	551	3,083
Research tax credit	8,711	8,803
TOTAL	**9,262**	**11,886**

At December 31, 2014 the research and development subsidies came principally from the ADNA program (French acronym for "diagnostic advances for new therapeutic approaches") financed by BPI France (€181 thousand in 2014 vs. €2.836 million in 2013.) Transgene could receive up to €800 thousand in additional subsidies over the remainder of the program, *i.e.*, until 2017.

NOTE 13 OTHER OPERATING INCOME AND EXPENSES

(in € thousands)	12/31/2014	12/31/2013
Investment subsidies	11	15
Income from sale of assets	2,705	175
Other revenue	4,266	146
Total income	**6,982**	**336**
Net carrying value of disposals of fixed assets	(7,758)	(194)
Other expenses	(506)	(243)
Total expenses	**(8,264)**	**(437)**
TOTAL	**(1,282)**	**(101)**

At December 31, 2014 "Other income and expenses from operations" referred largely to the sales of the Jennerex, Inc. shares to SillaJen, Inc. €7.045 million of net carrying amount of "Non-current asset disposals", €2.7 million of "Income from non-current asset disposals" (of which €2.332 million was received in 2014) and €4.117 million of "Other income", representing the estimated earn out on the sale of the shares (see Note 7).

NOTE 14 FINANCIAL INCOME (EXPENSE)

(in € thousands)	12/31/2014	12/31/2013
Investment income	420	663
Cost of financial debt	(671)	(702)
Net interest income	**(251)**	**(39)**
Other financial income and expenses	(792)	(770)
Foreign exchange gains (losses)	242	79
Total	**(550)**	**(691)**
FINANCIAL INCOME/(EXPENSE), NET	**(801)**	**(730)**

NOTE 15 CORPORATE INCOME TAX

Current taxes

Since the Company is in a tax loss position, its current tax charge is zero. The US and Chinese subsidiaries did not recognize any current tax income or expense in 2013 and 2014.

Deferred taxes

Net deferred tax assets were zero at December 31, 2014 due to non-recognition of deferred tax assets related to the uncertainty of taxable profits in the foreseeable future.

The difference between the standard corporate income tax rate in France and the Company's effective tax rate can be explained as follows:

	December 31	
(in € thousands)	2014	2013
Standard income tax rate in France	34.43%	34.43%
Unrecognized deferred tax assets	-40.73%	-39.24%
Other	6.8%	6.7%
Effective tax rate	0%	0%
Loss before tax	(48,556)	(42,858)
Income tax expense	-	-

At December 31, 2014, Transgene had loss carry-forwards in France, which will be carried forward indefinitely, totaling €547.39 million. Transgene has no loss carry forwards from its US and Chinese subsidiaries.

Transgene's deferred tax assets broke out as follows:

	December 31	
(in € thousands)	**2014**	2013
Tax loss carry forwards	547,390	490,523
Capitalized licensing costs not yet deducted	19	21
Provisions for pensions and other post-employment benefits	3,268	3,286
Provisions for contingencies and charges	32	32
Share of income from equity affiliates	2,452	1,628
Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd.	724	434
Contribution in kind to Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.	1,234	1,234
Other	181	115
Total basis of deferred tax assets	**555,300**	**497,273**
Tax rate	34.43%	34.43%
Deferred tax assets	**191,190**	**171,211**
Unrecognized deferred tax assets	(190,872)	(170,869)
DEFERRED TAX ASSETS	**318**	**342**

Transgene's deferred tax liabilities broke out as follows:

	December 31	
(in € thousands)	**2014**	2013
Finance leases	925	995
Other	-	-
Total tax base	**925**	**995**
Tax rate	34.43%	34.43%
DEFERRED TAX LIABILITIES	**318**	**342**

NOTE 16 EMPLOYEE INFORMATION

Personnel

The Company's registered workforce totaled 296 employees at December 31, 2014, including three with Transgene Inc. and five with Transgene Shanghai. The Company had 295 employees at December 31, 2013.

At December 31, 2014	Men	Women	Total
Managers	71	107	178
Other grades	26	92	118
TOTAL	**97**	**199**	**296***

* *Including 266 open-ended contracts at 12/31/2014.*

Employee benefits expenses

Employee benefits expenses included in the Company's income statement (payroll taxes, pension costs, ancillary costs) were as follows:

(in € thousands)	12/31/2014	12/31/2013
Research and development expenses	19,831	19,389
General and administrative expenses	3,752	3,221
TOTAL EMPLOYEE BENEFITS EXPENSES	**23,583**	**22,610**

Expenses relating to share-based payments amounted to:

(in € thousands)	12/31/2014	12/31/2013
Research and development expenses	542	561
General and administrative expenses	179	182
TOTAL EMPLOYEE BENEFITS EXPENSES	**721**	**743**

NOTE 17 AFFILIATED COMPANIES

Transgene signed a cash pooling agreement with Institut Mérieux. The Cash and cash equivalents placed in the Institut Mérieux cash pooling represented a receivable of €62.422 million at December 31, 2014, and the resulting interest income was €398 thousand at December 31, 2014.

The table below does not include these cash items:

	12/31/2014	
(in € thousands)	Receivables	Payables
Institut Mérieux	-	11
Thera Conseil	-	-
Platine Pharma Services SAS	400	-
Transgene Tasly BioPharmaceutical Co. Ltd.	34	-
BioMérieux SA	-	-
BioMérieux Shanghai	-	13
BioMérieux, Inc.	-	144
Advance Bioscience Laboratories, Inc.	-	-
Elsalys Biotech SAS	932	-
Merieux Development	11	-
TOTAL	**1,377**	**168**

(in € thousands)	12/31/2014	
	Revenue	Expenses
BioMérieux SA[1]	-	76
Thera Conseil	-	13
BioMérieux Shanghai	-	213
Institut Mérieux[2]	-	1,884
BioMérieux, Inc.[3]	-	1,594
Advance Bioscience Laboratories, Inc.	-	-
Platine Pharma Services SAS	-	234
Transgene Tasly BioPharmaceutical Co. Ltd.[4]	347	-
ElsaLys Biotech SAS[5]	451	50
Merieux Development	11	-
TOTAL	**809**	**4,064**

(1) Expenses related to purchases of laboratory equipment and supplies.

(2) Expenses represent the agreement for services rendered by Institut Mérieux.

(3) Costs correspond to the agreement for services, re-invoicing of staff and rent between Transgene, Inc. and BioMérieux, Inc.

(4) Revenue corresponds to the agreement for services and re-invoicing of staff concluded between Transgene SA and Transgene Tasly BioPharmaceutical Co. Ltd.

(5) Revenue represents the agreement for services rendered by Transgene SA. and to the contract for billing back lease payments. Costs correspond to an agent agreement between ElsaLys Biotech and Transgene SA.

NOTE 18 OFF-BALANCE SHEET COMMITMENTS

On April 1, 2009, Transgene signed an occupancy agreement with Lyonbiopôle for its Lyon space. This agreement, which had an initial term of three years, was renewed in 2012. The annual rent was €332 thousand (including charges) in 2014.

As of May 1, 2010, Transgene has had offices at the Parc d'Innovation, Illkirch. A "3/6/9" commercial lease was signed on May 1, 2010 and terminated on September 15, 2014. The annual rent was €26 thousand (including charges) in 2014.

Transgene is also bound by contracts with subcontractors. that could have an impact over several accounting periods. At December 31, 2014, the Company believed its financial commitments under these contracts to be approximately €16 million in current value. These commitments equal in amount the cash still to be spent on contracts signed to date.

Under licensing or option agreements, third parties have promised to make milestone payments or pay royalties to the Group that are dependent upon future events whose probability was uncertain as of the balance sheet date. The Company has promised, with respect to a number of third parties, to pay royalties or milestone payments under collaboration or licensing agreements that are dependent upon future events whose realization remains uncertain as of the balance sheet date.

In return for the financing of research tax credits in 2011, 2012 and 2013 and tax credits for competitiveness and job creation credits in 2013 and 2014, the Company gave bank guarantees amounting to €2.558 million.

In 2014 the Company underwent a tax audit of the accounting years 2011 and 2012. Only the adjustments to which the Company has agreed are reflected in the financial statements for the period ended 12/31/2014. As of the date of this Reference Document, there remains but one major proposed change about which the Company and the tax authorities disagree; the Company has contested it and has not recognized a provision for it.

NOTE 19 SEGMENT REPORTING

The Company conducts its business exclusively in the research and development of therapeutic vaccines and immunotherapeutic products, none of which is currently on the market. Its main partners, with whom itgenerates revenue, are Jennerex Inc. and Emergent, Inc. Its operations are located mainly in France. The Company therefore uses only one sector for the preparation and presentation of its financial statements.

NOTE 20 BREAKDOWN OF ASSETS AND LIABILITIES BY MATURITY

DECEMBER 31, 2014

Assets *(in € thousands)*	**Gross amount**	**One year or less**	**More than one year**
Non-current financial assets	2,934	789	2,145
Accounts receivable	1,540	1,540	-
Research tax credits and CICE	33,964	7,555	26,409
Recoverable VAT and income tax receivables	879	879	-
Amounts due to/from employees	44	44	-
Prepaid expenses	1,140	1,080	60
Grant receivable	941	124	817
Receivables from the sale of equity investment	4,378	1,294	3,084
Other receivables	115	115	-
TOTAL	**45,935**	**13,420**	**32,515**

Liabilities *(in € thousands)*	**Gross amount**	**One year or less**	**More than one year and less than or equal to 5 years**	**More than 5 years**
Trade payables	8,296	8,296	-	-
Property leasing	10,200	941	4,166	5,093
Equipment leasing	489	156	333	-
Conditional advances	15,324	-	93	15,231
Financing of research tax credit and CICE	25,519	7,894	17,625	-
Provision for risks and liabilities	127	127	-	-
Provisions for retirement	4,176	35	962	3,179
Provision for training and profit-sharing	176	101	75	-
Accrued employee benefits and tax expense	3,951	3,951	-	-
Deferred income	111	106	5	-
Other liabilities	745	86	-	659
TOTAL	**69,114**	**21,693**	**23,259**	**24,162**

NOTE 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Hedging operations

The Company is not engaged in any foreign exchange hedges.

In the first half of 2009, the Company partially hedged the interest rate risk related to the financial leasing of its administrative and research building in Illkirch (see Note 8), according to the following terms:

- face value: €5.9 million (amortizable);
- hedging instrument: interest rate contract;
- residual maturity: 9 years;
- underlying interest rate: 3-month Euribor;
- fixed rate: 3.46%.

As the hedge is perfect, the variations in market value for the instrument are recognized at net value. At December 31, 2014, the market value of this hedging instrument was €659 thousand. The market value is the amount that the Company would have had to pay if it decided to liquidate the hedge at December 31, 2014.

Exchange rate risk

The Company publishes its consolidated financial statements in euros. However, a portion of its revenue and expenses is recognized in US dollars. An increase or decrease in the euro exchange rate relative to the US dollar could impact operating results.

The Company has US dollar bank accounts. Net dollar disbursements totaled USD 2.3 million in 2014.

The following table shows the sensitivity of the Company's expenses at a 10% change in the US dollar rate during the years ended December 31, 2013 and 2014 (before tax and any hedging):

	December 31	
(in € thousands)	**2014**	**2013**
Expenditures denominated in US dollars	2,293	9,948
Equivalent in euros on the basis of an exchange rate of € 1 = US $ 1.3214	1,735	7,463
Equivalent in euros in the event of an increase of 10% USD vs. EUR	1,909	8,209
Equivalent in euros in the event of a decrease of 10% USD vs. EUR	1,562	6,717

The Group's foreign exchange position as at December 31, 2014 is as follows:

(In € thousands)	**USD**
Assets	6,300
Liabilities	648
Net position	5,652
Adjusted	5,652
Off-balance sheet position	-

Risks related to cash needs

The Group controls the risks related to cash management through centralized tracking and approval procedures. Cash assets are invested in highly rated marketable securities.

Cash invested at December 31, 2014 in mutual funds, directly or through the centralized management of the Institut Mérieux Group, amounted to €65.7 million. The Company needs, and shall continue to require, substantial funds to continue its research and development activities, including pre-clinical and clinical testing of future products, to establish commercial-scale manufacturing processes and facilities, to expand quality control, regulatory, marketing, sales and administrative capabilities. It shall also require substantial funds to manufacture and market any products approved for commercial sale.

Capital management

The Company has limited access to debt due to the Group's losses and the high-risk nature of the business sector (pharmaceutical research and development) under which it operates. The Company plans to finance operations mainly through equity until its profitability situation changes such that it has access to debt instruments.

Financial instruments

December 31, 2014 *(in € thousands)*	Assets at fair value through P&L	Assets available for sale	Receivables liabilities borrowings at amortized cost	Derivative instruments Derivatives	Value Accounting	Fair Value	Level
Financial asset							
Cash and cash equivalents	3,513	-	-	-	3,513	3,513	1
Other current financial assets	62,422	-	-	-	62,422	62,422	2
Accounts receivable	-	-	1,540	-	1,540	1,540	-
Non-current financial assets	-	-	-	-	-	-	-
Receivable on non-current financial assets	-	-	-	-	-	-	-
Non-current financial assets	-	-	3,852	-	3,852	3,852	2
Investments in associates	-	-	2,320	-	2,320	2,320	2
Other non-current assets	4,378	-	-	-	4,378	4,378	3
TOTAL FINANCIAL ASSETS	**70,313**	**-**	**7,712**	**-**	**78,025**	**78,025**	**-**
Financial liabilities							
Bank loans,							
Long-term portion	-	-	*17,625*	-	17,625	17,625	2
Lease commitment, long-term portion	-	-	*9,591*	-	9,591	9,591	2
Conditional advances	-	-	*15,324*	-	15,324	15,324	2
Other non-current financial liabilities	-	-	-	659	659	659	2
Non-current financial liabilities	-	-	*42,540*	659	43,199	43,199	-
Bank loans,							
Current portion	-	-	*7,894*	-	7,894	7,894	2
Finance leasing, short-term portion	-	-	*1,098*	-	1,098	1,098	2
Current financial liabilities	-	-	8,992	-	8,992	8,992	-
Trade payables	-	-	8,296	-	8,296	8,296	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**59,828**	**659**	**60,487**	**60,487**	**-**

In accordance with IFRS 13, financial instruments are categorized in three levels according to a hierarchy of methods that determine the fair value:

- level 1 inputs are calculated with reference to quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 inputs are calculated with reference to observable market data for the asset or liability, either directly or indirectly (*i.e.*, derived from procès);
- level 3 inputs are calculated with reference to unobservable inputs.

NOTE 22 SUBSEQUENT EVENTS

None.

4.1.3 Date of latest financial information

December 31, 2013 and June 30, 2014.

4.2 REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal year ended December 31, 2014

Dear Shareholders,

In compliance with the mission entrusted to us by your General Meeting, we hereby present our report for the year ended December 31, 2014, on:

- the auditing of Transgene SA's consolidated financial statements, as attached to this report;
- the justification for our assessments;
- the specific verification required by Law.

The consolidated financial statements were approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. It also consists of assessing the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We certify that the consolidated financial statements fairly present the results of operations for the year and the financial position and assets of the consolidated companies at that date, in accordance with IFRS as adopted by the European Union.

II. Justification of our assessments

Pursuant to Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we would mention the following points:

- Note 1 to the consolidated financial statements (Non-current assets - Intangible assets) describes the accounting rules and methods for intangible assets, including research expenses. In the context of our assessment of the accounting policies and rules followed by your Company, we have verified the appropriateness of the accounting methods referred to above and the information given in Note 5 to the financial statements and we are satisfied that they have been applied correctly;
- at each balance sheet date, your group conducts tests for impairment of equity securities, as described in Note 1 (Non-current financial assets and Equity investments) to the consolidated financial statements. We have examined the terms of the implementation of these impairment tests and estimates of cash flows and assumptions used, and we have verified that Note 6 to the consolidated financial statements provides appropriate information.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verification

We also performed specific verifications provided by law, in accordance with professional standards applicable in France of information relating to the group given in the management report.

We have no matters to report concerning the fairness of this information or its consistency with the consolidated financial statements.

Lyon, April 27, 2015

Statutory Auditors

DIAGNOSTIC REVISION CONSEIL	**ERNST & YOUNG et Autres**
Hubert de Rocquigny du Fayel	Marc-André Audisio

4.3 ANNUAL FINANCIAL STATEMENTS AND NOTES

4.3.1 Annual financial statements

BALANCE SHEET – ASSETS

(in € thousands)	Notes	12/31/2014	12/31/2013
Intangible assets, gross		4,400	4,261
(accumulated depreciation and provisions)		(3,344)	(2,932)
Intangible assets – net	11	**1,056**	**1,329**
Property, plant and equipment:			
Land		1,234	650
Fixtures and fittings		7,103	6,958
Laboratory equipment		16,816	15,918
Vehicles, office and computer equipment		2,232	2,158
Assets under construction		638	653
Total property, plant and equipment, gross		28,023	26,337
(accumulated depreciation and provisions)		(15,997)	(14,640)
Property, plant and equipment – net	10	**12,026**	**11,697**
Financial assets – net	12	**10,393**	**17,099**
Total fixed assets		**23,475**	**30,125**
Inventories	6	1,149	975
Accounts receivable	7	1,399	1,896
Research tax credits payable	20	26,409	25,261
Recoverable VAT and income tax receivables and other tax receivables		8,434	8,432
Other receivables, including centralized treasury	8	63,655	44,080
Available cash, cash equivalents	5	3,264	4,675
Total current assets		**104,311**	**85,319**
Prepaid expenses	17	1,138	968
Currency translation losses		-	-
TOTAL ASSETS		**128,924**	**116,412**

BALANCE SHEET – LIABILITIES

(in € thousands)	Notes	12/31/2014	12/31/2013
Subscribed capital	13	88,156	72,933
Share premiums	26	472,492	424,775
Reserves	26	349	555
Retained earnings		(439,160)	(396,737)
Profit and loss		(50,884)	(41,454)
Statutory provisions		-	-
Equity	13	**70,953**	**60,072**
Financial liabilities		25,519	24,009
Conditional advances		15,324	13,802
Other equity	14	**40,843**	**37,811**
Provisions for retirement benefits obligation		4,635	3,374
Other provisions for contingencies and charges		131	103
Provisions for contingencies and charges	15	**4,766**	**3,477**
Payables		8,217	9,365
Accrued employee benefits and tax expense		3,946	4,970
Other liabilities		86	70
Payables		**12,249**	**14,405**
Deferred income	17	111	643
Exchange rate losses		2	4
Liabilities		**57,971**	**56,340**
TOTAL LIABILITIES AND EQUITY		**128,924**	**116,412**

INCOME STATEMENT

(in € thousands)	Notes	12/31/2014	12/31/2013
OPERATING INCOME			
Revenue from collaborative and licensing agreements	2	2,490	3,849
Research and development grants	2	551	3,083
Other revenue	2	775	1,193
Total basis of deferred tax liability		**3,816**	**8,125**
OPERATING EXPENSE			
Research and development expenses		(48,996)	(49,410)
General and administrative expenses		(7,413)	(6,645)
Other expenses		(840)	(1,349)
Total operating costs		**(57,249)**	**(57,404)**
Operating loss		**(53,433)**	**(49,279)**
Financial income	3	427	669
Financial expense	3	(1,517)	(1,773)
Exchange rate difference	3	273	85
Current income before tax		**(54,250)**	**(50,298)**
Net extraordinary income (expenses)	4	(5,097)	(19)
Income tax expense	20	8,463	8,863
NET PROFIT		**(50,884)**	**(41,454)**

4.3.2 Notes to the annual financial statements (for the fiscal year ended December 31, 2014)

The notes and tables presented below are an integral part of the annual financial statements. The annual financial statements at December 31, 2014 show a balance sheet total of €128,924 and a net loss of €50.884 million.

Table of Contents of notes to the annual financial statements

NOTE 1 NATURE OF ACTIVITY AND SUMMARY OF ACCOUNTING PRINCIPLES

Nature of activity

Transgene ("the Company") is a French limited liability company ("Société Anonyme") governed by the provisions of French law. It was created in 1979 to apply emerging techniques in genetic engineering in the context of contract research for industrial groups in the fields of molecular and cellular biology, virology, immunology and protein chemistry. The Company designs and develops immunotherapy products for treating cancer and infectious diseases.

Significant accounting policies and changes to methods

The annual financial statements are prepared according to generally accepted accounting principles in France, in compliance with ANC regulation No. 2014-03 relative to the national general chart of accounts (French GAAP).

The new regulations on assets (CRC 02-10 and 04-06) have been in application since January 1, 2005.

Recognition of revenue

Transgene's revenue is comprised of revenues from patent licenses and collaborations in research (including the reimbursement of costs incurred by Transgene), development and production.

Patent licenses

Revenue from patent licenses generally consists of rights to access technology, paid on signing of the agreement and which is not reimbursable, financing by milestone payments and other payments, such as royalties.

Non-refundable fees for technology usage rights paid when the license is signed

When Transgene is not committed to continuing to develop a technology after a license is signed, the fees are recognized as revenue when the Company's contractual obligations have been fulfilled.

When Transgene is committed to continuing to develop a technology after a license is signed or has a future obligation to deliver products, the fees are recognized as revenue over the development period or the product delivery period.

Milestone payments

Milestone payments under collaborative agreements are recognized as revenue upon achievement of the incentive milestone events and when Transgene has no future performance obligations related to the payment. Milestone payments are triggered either by the results of Transgene's research efforts or by events external to Transgene, such as regulatory approvals, the commencement of clinical trials or selection of candidates for drug development.

Royalties

Royalties are based on the licensee's sales of products or technologies. They are recognized on the basis of the license terms, when the sales can be reliably measured and recovery of the related receivables is reasonably assured. Provisional estimates of royalties receivable are based on sales statistics and trends.

Service and manufacturing contracts

Transgene has entered into certain contracts for the provision of research or manufacturing services on a best-efforts basis.

Transgene bills its services at a pre-agreed rate, generally on a time-spent basis, and billings are recorded as revenue as and when the work is done.

Revenue from these contracts is recognized when the services are performed. Revenue from contracts for manufacturing services, where the Company has an obligation to achieve a specified result, is recognized as revenue on the income statement when a product has successfully undergone quality controls and has been accepted by the customer.

Revenue received but not yet recognized in the income statement based on the above principles is recorded as a liability under "Deferred revenue" and is reclassified to the income statement when the revenue recognition criteria are met.

Research tax credits

Research and development costs entitled the Company to a research tax credit, which is recognized at the end of the fiscal year in which the costs are recognized and the credit is claimed. Unused research tax credits are refundable from the fourth year. The 2011, 2012, 2013 and 2014 research tax credits will be refunded in 2015, 2016, 2017 and 2018, respectively. Since 2011 (for the research tax credit in 2010), the Company has bank refinanced its research tax credit to optimize its cash management.

Research tax credits are recognized in the income statement under "Taxes".

Cash and cash equivalents

The Company considers as cash and cash equivalents its highly liquid investments, which can be bought or sold at any time based on prices that are determined on a daily basis, and which have no material interest or risk. They are in mutual funds

mostly invested in underlying monetary assets, bonds and long-term government bonds. Marketable securities are valued at a cost, which is the lower of the first in/first out method or market value.

Inventories

Inventories consisting mainly of chemicals and laboratory supplies are measured at the lower of cost or market value. Cost is determined by the weighted average cost method. A provision for obsolescence or low rotation may be recognized.

Property, plant and equipment

Property, plant and equipment are measured at cost. Depreciation is recognized in the income statement according to the probable useful lives, as follows:

Type of asset	Depreciation method	Depreciation period
Buildings	Straight-line	20 to 50 years
Fixtures and fittings	Straight-line	10 to 20 years
Machinery and equipment (machinery and laboratory equipment)	Straight-line	5 to 10 years
Office equipment and furniture	Straight-line	5 to 10 years
IT equipment	Straight-line	3 to 5 years
Transport equipment	Straight-line	4 to 5 years

The application of the new regulations on assets (CRC 02-10 and 04-06) has had no impact on the financial statements. In fact, as with all of its fixed assets, their breakdown level has not resulted in changes in the values of the assets or amortization schedules.

Fixed asset components that have a useful life significantly different from the main asset, have their own depreciation schedule, provided the value of these components represents at least 15% of the value of the whole asset.

Share issue costs

Share issue costs are charged to share premiums.

Research and development costs

Expenses for applied research and development include the direct and indirect costs incurred on the projects, excluding any allocation of overhead.

The direct and indirect costs refer primarily to the salaries of researchers and research technicians, the depreciation expense on assets used and on the cost of materials and other services used.

Research costs are recognized as expenses on the income statement for the period in which they are incurred. Development costs are capitalized when the required conditions are met.

The Company believes that the costs incurred in developing its pharmaceutical products are equivalent to research costs until a marketing authorization request is filed with regulatory authorities. After that, they are considered to be development costs.

Other intangible assets

Intangible assets mainly comprise licenses, acquired patents and computer software.

Type of intangible asset	Amortization method	Amortization Period
Computer software and licenses	Straight-line	1 to 5 years
Patents acquired	Straight-line	5 years

Investments in non-consolidated companies

Investments in non-consolidated companies are recorded at cost and depreciated, as needed, if their carrying value exceeds their recoverable amount as estimated by the Company.

The valuation of equity investments is currently based on a discounted cash flow (DCF) analysis of future cash flows. This valuation is reviewed periodically.

For investments to develop immunotherapy products, the assumptions used for the DCF valuation mainly involve the probability of technical and regulatory success (PTRS) and the market potential of portfolio products. The market potential of the products is regularly reviewed by the Company. The PTRS, which depends on the stage of product development, is calculated from reference publications in the field.

The discounted cash flow rate of equity investments is calculated on the basis of the weighted average cost of capital (WACC), which is itself based on a so-called market-comparable approach.

Other financial assets

Other financial assets are comprised of deposits and guarantees regarding property rentals and the holdback related to the assignment of debt under the research tax credit and the competitiveness and job creation tax credit. Deposits and guarantees are measured at cost and depreciated as needed to reflect their net realizable value.

Prepaid expenses and other current assets

Prepaid expenses and the other current assets are measured at cost and may be impaired to reflect their net realizable value.

Provisions for risks and liabilities and provisions for employment benefits

Provisions are recorded to cover contingencies and charges arising in the course of the Company's business. With regard to provisions for pensions and other post-employment benefits, in particular, the rights acquired by serving employees are estimated according to actuarial evaluations, taking into account mortality rates, future salary levels and the probability of employees remaining with the Company until retirement.

The Company recognizes actuarial gains and losses using the corridor method. As part of the first-time application of ANC recommendation No. 2013-02 at December 31, 2014, the off-balance-sheet amount of actuarial gains and losses unamortized as of December 31, 2013 (€970 thousand) was recognized in shareholders' equity. Actuarial gains or losses related to experience and changes in assumptions are amortized in future expenses over the remaining probable average active period for employees after applying a corridor of 10% of the greater of the value of commitments and the value of the hedging asset.

Foreign exchange

Cash liquidity in foreign currencies is converted into euros at the exchange rate on the balance sheet date. The resulting conversion differences are recognized in the income statement.

Receivables and payables in foreign currencies are converted into euros at the exchange rate on the balance sheet date. The resulting conversion differences are recognized under "exchange rate gains/losses" on the balance sheet (under assets for unrealized losses, under liabilities for unrealized gains).

Unrealized losses are booked in a provision for risks under expenses for the year.

Income tax expense

Income tax expenses correspond to taxes due calculated at the standard rate in use at year end, taking into account the research tax credit.

The underlying tax position is calculated on the basis of the differences between the tax values and carrying amount of assets and liabilities presented in the balance sheet. These differences are determined according to the tax provisions and discounted tax rates when these differences are inverted.

Tax credit for Competitiveness and Employment (CICE)

The CICE, if any, is recognized as a decrease under "Employee benefits expenses".

Since the tax situation of the Company does not make it possible to deduct the tax credit from any taxable profits for the period, this CICE receivable will not be paid by the State until the end of the following three fiscal years.

Transgene received bank pre-financing for this receivable, and the proceeds on this asset have were to extend the Company's working capital.

NOTE 2 OPERATING INCOME

REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

	December 31	
(in € thousands)	**2014**	**2013**
Bioproduction and other collaborative projects	1,668	2,246
License fees and royalties	822	1,603
TOTAL	**2,490**	**3,849**

OTHER INCOME

	December 31	
(in € thousands)	**2014**	**2013**
Research and development grants	551	3,083
Other	775	1,193
TOTAL	**1,326**	**4,276**

NOTE 3 NET FINANCIAL INCOME

	December 31	
(in € thousands)	**2014**	**2013**
INCOME		
Revenues from marketable securities	421	663
Revenues from capitalized accounts receivable	-	-
Discounts received	-	-
Other interest income	6	6
Total financial interest income	**427**	**669**
EXPENSES		
Interest expense related to debt	(981)	(1,212)
Total financial expenses	(536)	(561)
Exchange rate differences	**(1,517)**	**(1,773)**
EXCHANGE RATE DIFFERENCES		
Exchange rate loss	284	112
Total exchange rate differences	(11)	(27)
Total exchange rate differences	**273**	**85**
NET FINANCIAL INCOME	**(817)**	**(1,019)**

NOTE 4 NON-CURRENT OPERATING INCOME (LOSS)

At December 31, 2014, extraordinary income (expense) was exclusively comprised of losses realized on the sale of Jennerex, Inc. shares to SillaJen, Inc., a Korean biotechnology company.

NOTE 5 CASH AND MARKETABLE SECURITIES

	December 31	
(in € thousands)	**2014**	2013
Cash	390	389
Marketable securities	2,874	4,286
TOTAL	**3,264**	**4,675**
Unrecorded unrealized gains	0.5	0.5

In 2014, marketable securities were composed of short-term mutual fund units.

NOTE 6 INVENTORIES

	December 31	
(in € thousands)	**2014**	2013
Raw materials	188	157
Laboratory supplies	961	820
Total cost	**1,149**	**977**
Provision for obsolescence	-	(2)
TOTAL NET	**1,149**	**975**

NOTE 7 ACCOUNTS RECEIVABLE

	December 31	
(in € thousands)	**2014**	2013
Total cost	1,399	1,896
Provision for impairment	-	-
TOTAL NET	**1,399**	**1,896**

NOTE 8 OTHER RECEIVABLES

	December 31	
(in € thousands)	**2014**	**2013**
Institut Mérieux centralized cash (cash pool)	62,422	42,724
Credit notes receivable - suppliers	115	200
Employee benefits expense	44	53
Accrued subsidies	1,070	1,103
Other receivables	4	-
TOTAL	**63,655**	**44,080**

Contractually, investments made by the Company as part of the centralized cash management at Institut Mérieux are liquid within a maximum period of four business days and bear interest based on a rate equal to Euribor +0.15% when Institut Mérieux is in a net borrowing position at the group level and Euribor when Institut Mérieux is in a net surplus at the group level.

NOTE 9 ACCRUED REVENUE

	December 31	
(in € thousands)	**2014**	**2013**
Accrued income	1,682	1,612
VAT credit	768	444
Trade receivables	107	171
VAT on accrued invoices	196	187
Social organizations - accrued revenue	2	7
TOTAL	**2,755**	**2,421**

NOTE 10 PROPERTY, PLANT & EQUIPMENT

(in € thousands)	12/31/2013	Increase	Decrease	12/31/2014
ACQUISITION COSTS				
Land, buildings and fixtures	7,608	779	(50)	8,337
Laboratory equipment	15,918	1,012	(114)	16,816
Vehicles, office and computer equipment	2,158	117	(43)	2,232
Assets under construction	653	1,169	(1,184)	638
Total	**26,337**	**3,077**	**(1,391)**	**28,023**
DEPRECIATION, AMORTIZATION AND PROVISIONS				
Land, buildings and fixtures	(3,220)	(432)	43	(3,609)
Laboratory equipment	(10,060)	(913)	111	(10,862)
Vehicles, office and computer equipment	(1,360)	(204)	38	(1,526)
Total	**(14,640)**	**(1,549)**	**192**	**(15,997)**
TOTAL NET	**11,697**	**1,528**	**(1,199)**	**12,026**

NOTE 11 INTANGIBLE ASSETS

(in € thousands)	12/31/2013	Increase	Decrease	12/31/2014
ACQUISITION COSTS				
Licenses and acquired patents	1,788	-	-	1,788
Other intangible assets	2,307	144	-	2,451
Assets under construction	166	155	(160)	161
Total	**4,261**	**299**	**(160)**	**4,400**
DEPRECIATION, AMORTIZATION AND PROVISIONS				
Licenses and acquired patents	(1,317)	(175)	2	(1,490)
Other intangible assets	(1,615)	(239)	-	(1,854)
Total	**(2,932)**	**(414)**	**2**	**(3,344)**
TOTAL NET	**1,329**	**(115)**	**(158)**	**1,056**

NOTE 12 NON-CURRENT FINANCIAL ASSETS

(in € thousands)	12/31/2013	Increase	Decrease	12/31/2014
Investments in non-consolidated companies				
• Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.	5,211	-	-	5,211
• Jennerex, Inc.	7,044	-	(7,044)	-
• Platine Pharma Services SAS	993	-	(699)	294
• Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd.	875	-	-	875
• Elsalys Biotech SAS	501	-	-	501
• Transgene Inc.	23	-	-	23
• Access Investment, Inc.	29	-	-	29
Total	**14,676**	**-**	**(7,743)**	**6,933**
Guarantees and deposits	2,687	969	(823)	2,833
Platine SAS current account and conditional loan	200	189	-	389
ElsaLys Biotech SAS current account	-	718	-	718
Guarantee on the disposal of Jennerex, Inc. shares	-	368	-	368
Impairment losses	(464)	(384)	-	(848)
TOTAL (AT HISTORICAL COST)	**17,099**	**1,860**	**(8,566)**	**10,393**

Jennerex, Inc.

In March 2014 the Company sold all of its shares in Jennerex, Inc., carried at €7.044 million, to SillaJen, Inc. In exchange, Transgene received €2.331 million in cash and could receive additional conditional payments upon the development of the Pexa-Vec product, under an earn-out clause.

Platine Pharma Services SAS

In July 2014 Platine Pharma Services SAS reduced its equity by reducing the par value of the shares.

This transaction was followed by a capital increase of €435 thousand through the creation of new shares without preferential subscription rights for the benefit of Advanced Bioscience Laboratories, Inc. (ABL). The impact on Transgene was a reduction in the value of its equity of €599 thousand. On this occasion Transgene converted receivables into a conditional loan to Platine SAS shares in the amount of €189 thousand.

In August 2014 Transgene transferred 14,764 Platine shares at no cost to ABL, Inc., which led to a loss for the period of €100 thousand.

After the transaction, the interest of Transgene in the capital of Platine Pharma Services SA was 9.87%.

Depreciation

At December 31, 2014 the impairment taken was on stock in Access Investment, Inc. for €29 thousand, on stock in Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd. for €725 thousand and on the conditional loan to Platine SAS for €94 thousand.

NOTE 13 SHAREHOLDERS' EQUITY

General

At December 31, 2014, the number of outstanding shares of Transgene was 38,527,968, representing share capital of €88,155,914.18.

Preferential subscription rights

Shareholders have preferential subscription rights during capital increases in proportion to their existing interests. This right may be waived in certain circumstances by a resolution voted in an Extraordinary General Meeting. preferential subscription rights that have not been waived are negotiable during the subscription period.

Stock-Options

SUMMARY TABLE OF STOCK OPTION PLANS

	Plan No. 3	Plan No. 4	Plan No. 5	Plan No. 6
Shareholders' Meeting date	6/9/2004	6/9/2006	6/9/2008	6/17/2010
Board of Directors meeting date	2/9/2005	12/6/2006	12/16/2008	12/7/2010
	5/18/2005	10/4/2007	12/9/2009	12/13/2012
	1/1/2006	12/19/2007	12/7/2010	
	12/6/2006	12/16/2008		
Total number of shares to be subscribed or purchased	300,000	450,000	250,000	400,000
Starting point for exercise of options	2009	2010	2012	2015
	2010	2011	2013	2017
		2012	2015	
Expiration date	2015	2016	2018	2020
	2016	2017	2019	2022
		2018	2020	
Subscription price *(euros)* (equal to the average of the market price of the 20 trading days prior to the grant date, excluding discount) adjusted following the capital increase with preferential subscription rights in 2010, in accordance with the French Commercial Code	6.38	10.78	11.09	14.31
	7.12	16.23	17.26	7.92
	7.38	15.14	14.31	
	10.78	11.09		

OPTIONS OUTSTANDING AND EXERCISABLE OPTIONS AT DECEMBER 31, 2014

	Number of shares
Options outstanding at December 31, 2013	**1,262,242**
Options exercisable at end of period	*882,242*
Options awarded in 2014	-
New options created following the capital increases with preferential subscription rights	28,802
Options exercised in 2014	(17,108)
Canceled or expired options in 2014	(85,839)
Options outstanding at December 31, 2014	**1,188,097**
Options exercisable at end of period	*886,231*

Free share allocation plans

SUMMARY TABLE OF SHARE PLANS

	Plan No. 1	Plan No. 2
Shareholders' Meeting date	6/9/2008	6/17/2010
Total number of shares to be subscribed or purchased	100,000	120,000
Board of Directors meeting date	12/16/2008	12/7/2010
	12/9/2009	12/13/2012
	12/7/2010	
Total number of free shares awarded	73,800	74,900
	11,100	44,320
	15,100	
Date of final allocation and expiration date (as both periods are taken into account)	12/15/2012	12/6/2014
	12/8/2013	12/12/2016
	12/6/2014	
Share value on the date of allocation (opening price on the date of allocation)	€12.10	€14.37
	€19.67	€8.36
	€14.37	

FREE SHARES AWARDED AND VESTED AS OF DECEMBER 31, 2014

	Number of shares
Free shares awarded at December 31, 2013	**138,850**
Free shares vested by the beneficiaries in 2013	*(9,600)*
Free shares cancelled in 2014	(4,910)
Free shares granted in 2014	-
Free shares vested to the beneficiaries in 2014	*(81,750)*
Free shares awarded at December 31, 2014	**542,590**

Changes in equity

(in € thousands)	Share capital	Premiums and reserves	Retained earnings (deficit)	Result	Statutory provisions	Capital equity
At 12/31/2013	**72,933**	**425,329**	**(396,736)**	**(41,454)**	**-**	**60,072**
Appropriation of loss						
Net income (loss) 2013	-	-	(41,454)	41,454	-	-
Pension obligations	-	-	(970)	-	-	(970)
Net income (loss) 2014	-	-	-	(50,884)	-	(50,884)
Issue of shares (subscription options exercised and final granting of free shares)	15,223	47,512	-	-	-	62,735
At 12/31/2014	**88,156**	**472,841**	**(439,160)**	**(50,884)**	**-**	**70,953**

In 2014 the following capital increases were made:

- issuance of 6,653,551 new shares at €10 per share as part of two capital increases in March, one with preferential subscription rights and the other by private placement;
- issuance of 17,809 new shares on the exercise of stock options and the issuance of new corresponding shares at a weighted average price per share of €7.21;
- issuance of 81,750 new free shares to employees of the Company.

NOTE 14 OTHER EQUITY

Financial liabilities

At December 31, 2014, financial liabilities related to bank financing of the 2011 research tax credit (current liability) and the 2012 and 2013 research tax credits (non-current liabilities). Transgene received the amount of the tax debt less a financing cost and a holdback of 10%.

Conditional advances

At December 31, 2014, conditional advances related to repayable advances received under the ADNA ("Advanced Diagnostics for New Therapeutic Approaches") program, which receives public funding from the BPIFrance, for €15.144 million and under the Helazyme program for €180 thousand.

The Company may receive up to €2.6 million in additional repayable advances over the remaining term of the ADNA program, *i.e.*, until 2017.

NOTE 15 PROVISIONS FOR LIABILITY & CHARGES

(in € thousands)	12/31/2013	Provisions	Retained earnings (deficit)*	Reversals not applicable	Use of the provision	12/31/2014
Exchange rate differences	-	5	-	-	-	5
Risk of charge	103	78	-	(55)	-	126
Pension obligations	3,374	323	970	-	(32)	4,635
Total provisions for charges	**3,477**	**406**	**970**	**(55)**	**(32)**	**4,766**
Of which allocations and reversals						
Operating	-	*277*	-	*(55)*	*(32)*	*190*
Financial	-	*129*	-	-	-	*129*
Extraordinary	-	-	-	-	-	-

* *As part of the first-time application of recommendation No. 2013-R. 02 the off-balance sheet amount at December 31, 2013 (€970 thousand) was recognized in shareholders' equity.*

The above provisions for pension obligations represent the estimated current value of the equity equivalent to accrued future payments, depending on length of service and level of compensation when an employee retires, on the basis of the following calculation assumptions at December 31, 2014:

	12/31/2014	12/31/2013
Discount rate	2.25%	3.00%
Rate of future salary increases	2.00%	2.50%
Retirement age:		
• Managers	65	65
• Non-managers	63	63

The provision entered on the balance sheet concerns only retirement payments for serving employees.

The following table summarizes the conditions and amounts of actuarial pension obligations at December 31, 2014 and 2013:

	December 31	
(in € thousands)	**2014**	**2013**
CHANGE IN THE VALUE OF OBLIGATIONS		
Projected benefit obligation at January 1	4,344	4,481
Cost of services rendered for the year	332	345
Cost of discounting	124	113
Change in assumptions	(338)	(125)
Reductions/terminations	(133)	(288)
Actuarial (gain)/loss	(121)	(121)
Benefits paid during the year	(32)	(61)
Projected benefit obligation for retirement	**4,176**	**4,344**
Unrecognized actuarial losses	459	(970)
Unrecognized past service cost	-	-
Total unrecognized items	-	-
PROVISION FOR RETIREMENT	**4,635**	**3,374**

Changes in actuarial obligations recognized on the liabilities side of the balance sheet for 2014 and 2013 break down as follows:

(in € thousands)	**2014**	**2013**
DEFINED BENEFIT COST FOR THE YEAR		
Cost of services rendered for the year	332	345
Cost of discounting	124	113
Net actuarial loss recognized in the year	-	54
Reductions/terminations	(133)	(201)
COST OF SERVICES AND DISCOUNTING	**323**	**311**

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NOTE 16 ACCRUED EXPENSES

	December 31	
Detail of accrued expenses *(in € thousands)*	**2014**	**2013**
Suppliers - accrued invoices	7,381	7,162
Credit notes to customers - unissued	-	-
Amounts due to/from employees	1,450	1,506
Social organizations	1,413	1,460
VAT on accrued income	15	11
VAT on trade receivables	8	16
Other liabilities	29	7
TOTAL	**10,296**	**10,162**

NOTE 17 ACCRUALS

Deferred revenue and expenses relate exclusively to items recognized under operations.

NOTE 18 AFFILIATED COMPANIES

Transgene signed a cash pooling agreement with Institut Mérieux. The cash and cash equivalents placed in the Institut Mérieux cash pooling represented a receivable of €62.422 million at December 31, 2014, and the resulting interest income was €398 thousand at December 31, 2014.

The table below does not include these cash items.

	2014	
(in € thousands)	Receivables	Payables
Institut Mérieux[2]	-	11
Thera Conseil	-	-
Transgene, Inc.	-	76
Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd.	-	-
Platine Pharma Services SAS	400	-
Transgene Tasly	34	-
BioMérieux SA	-	-
BioMérieux Shanghai	-	13
Elsalys Biotech SAS	932	-
TOTAL	**1,366**	**100**

	2014	
(in € thousands)	Revenue	Expenses
BioMérieux SA[1]	-	76
Thera Conseil	-	13
Institut Mérieux[2]	-	1,884
BioMérieux Shanghai	-	213
Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd.	-	-
Transgene, Inc.[3]	-	1,589
Platine Pharma Services SAS	-	234
Transgene Tasly[4]	347	-
Elsalys Biotech SAS	451	50
TOTAL	**798**	**4,059**

(1) Expenses related to purchases of laboratory equipment and supplies.

(2) Expenses represent the agreement for services rendered by Institut Mérieux.

(3) Expenses relate to the re-invoicing of administrative and personnel expenses by Transgene Inc.

(4) Income represents services contracts and re-invoicing of personnel.

NOTE 19 AGING OF RECEIVABLES AND PAYABLES

Receivables *(in € thousands)*	Gross amount	One year or less	More than one year
Other financial assets	2,833	789	2,044
Accounts receivable	1,399	1,399	-
Research tax credit and tax credit for Competitiveness and Employment	33,964	7,555	26,409
Recoverable VAT and income tax receivables	879	879	-
Amounts due to/from employees	44	44	-
Prepaid expenses	1,138	1,078	60
Research and development grants	1,070	254	817
Other receivables	120	120	-
TOTAL	**41,448**	**12,118**	**29,330**

Payables *(in € thousands)*	Gross amount	One year or less	More than one year and less than or equal to 5 years	More than 5 years
Conditional advances	15,323	-	-	15,323
Financing of tax credits	25,519	7,894	17,625	-
Trade payables	8,217	8,217	-	-
Pension obligations	4,635	39	1,068	3,528
Accrued employee benefits and tax expense	3,946	3,946	-	-
Deferred income	111	111	-	-
Other liabilities	88	88	-	-
TOTAL	**57,839**	**20,295**	**18,693**	**18,851**

NOTE 20 INCOME TAX

Current taxes

The current tax for 2014 consists primarily of the euro research tax credit earned during the period (€8.783 million) and an accrual of a research tax credit.

The Company had a credit with the French government of €33.479 million credit at December 31, 2014 for a research tax credit. This credit can be used to pay income tax. It can be refunded in cash upon request in the fourth year after it was earned. The research tax credits can be reimbursed according to the schedule below:

	In thousands of euros	
Planned repayment years	**2014**	2013
2014	-	7,871
2015	7,555	7,894
2016	8,289	8,288
2017	8,852	8,869
2018	8,783	-
TOTAL	**33,479**	**32,922**

Deferred taxes

Deferred taxes indicate a potential reduction in future tax expenses of €190,030 thousand, which mainly represents tax-loss carryovers.

Temporary differences between accounting and taxation:

	BASE			INCOME TAX		
(in € thousands)	At the beginning of the period	Net change in income for the the year	At the end of the year	At the beginning year Receivables (liabilities)	Net change in income for the year Revenue (expenses)	At the end of the period Receivables (liabilities)
Provision for exchange losses	(2)	5	3	-	1	1
Mutual aid social security contribution	5	-	5	2	-	2
Provisions for pensions and other post-employment benefits	3,436	291	3,727	1,182	101	1,283
Cost of acquired patents not yet deducted	21	(2)	19	7	-	7
Provision for impairment of equity investment	464	290	754	-	100	260
Provisions for liability	3	-	3	1	-	1
Unrealized capital gains on marketable securities	-	-	-	-	-	-
Translation adjustment	5	(7)	(2)	2	(3)	(1)
Tax loss carryforwards	490,486	56,868	547,422	168,874	19,579	188,477
TOTAL	**494,418**	**57,444**	**551,931**	**170,078**	**19,778**	**190,030**

NOTE 21 EXECUTIVE COMPENSATION AND OBLIGATIONS

Directors' fees paid to members of the administrative bodies amounted to €101 thousand.

In 2014, the Company did not pay any compensation to TSGH and its permanent representative. In 2014, the Company paid its Chairman and Chief Executive Officer, Mr. Philippe Archinard, gross compensation of €72 thousand.

In 2014, Philippe Archinard received gross compensation of €899 thousand (including €450 thousand in variable compensation and €8 thousand in payment in kind corresponding to the use of a company car) from Institut Mérieux, re-invoiced in part to the Company pursuant to a contract for services rendered by Institut Mérieux (see Note 18).

In 2014 the Company paid to the Chief Pharmacist acting as Deputy Chief Executive Officer, Christophe Ancel, total compensation amounting to €112 thousand, including €18 thousand in variable compensation. The Company paid a grand total of €1,330 thousand to its Executive Committee in 2014.

No advances or credits were allocated to executives.

NOTE 22 OFF-BALANCE SHEET OBLIGATIONS

For the acquisition of a property located in Illkirch, in which the Company installed its main administrative and research buildings, Transgene signed a finance lease with a banking pool. This contract, which is for an amount of €15.6 million, has a term of 15 years. The quarterly rent was determined on January 1, 2009. The financing rate is indexed to the Euribor rate at 3 months. Transgene engaged in a partial interest rate hedge (see paragraph above). The Company has a purchase option on the land and buildings at the end of the financing agreement for the sum of €1.1 million.

The table below summarizes the main residual obligations of the Company under this contract:

(in € thousands)	2014	2013
Property leasing		
• outstanding charges	9,723	10,759
• residual purchase price	1,094	1,094

Under the terms of the real estate financing lease for the acquisition of its administrative and research building in Illkirch, Transgene has a pledge granted by Banque Populaire to Alsabail, one of the lessors, for an amount of €1.6 million. In the first six months of 2009, the Company proceeded with partial coverage of the interest rate risk related to this financing, according to the following terms:

- face value: €5.9 million (amortizable);
- hedging instrument: interest rate contract;
- residual maturity: 9 years;
- underlying interest rate 3-month Euribor;
- fixed rate 3.46%.

As the hedge is perfect, the variations in market value for the instrument are recognized at net value. At December 31, 2014, the market value of this hedging instrument was €659 thousand. The market value is the amount that the Company would have had to pay if it decided to liquidate the hedge at December 31, 2014.

On April 1, 2009, Transgene signed an occupancy agreement with Lyonbiopôle for its Lyon space. This agreement, which had an initial term of three years, was renewed in 2012. The annual rent was €332 thousand (including charges) in 2014.

As of May 1, 2010, Transgene has had offices at the Parc d'Innovation, Illkirch. A "3/6/9" commercial lease was signed on May 1, 2010 and terminated on September 15, 2014. The annual rent was €26 thousand (including charges) in 2014.

The table below summarizes key financial commitments made by the Company:

	Payments due by period			
(in € thousands)	Gross amount	One year or less	From one to 5 years	More than 5 years
Finance lease obligations (real estate)	9,723	1,056	4,520	4,147
Finance lease obligations (non-real estate)	499	159	340	-
Other long-term obligations (reimbursable advances)	15,324	-	93	15,231
TOTAL	**25,546**	**1,215**	**4,953**	**19,378**

Transgene is also bound by contracts with subcontractors. that could have an impact over several accounting periods. At December 31, 2014, the Company believed its financial commitments under these contracts to be approximately €14 million in current value.

Under licensing or option agreements, third parties have promised to make milestone payments or pay royalties to the Company that are dependent upon future events whose probability remains uncertain as of the balance sheet date. The Company has promised, with respect to a number of third parties, to pay royalties or milestone payments under collaboration or licensing agreements that are dependent upon future events whose probability remains uncertain as of the balance sheet date.

The volume of accumulated training hours corresponding to rights acquired under the Individual Right to Training (DIF) was 25,008 hours at December 31, 2014 (based on hours validated on January 1, 2015). At December 31, 2014, the market value of the instrument amounted to €101 thousand.

The Company has not made any material commitment (guarantees, collateral, etc.).

NOTE 23 EMPLOYEES

At December 31, 2014, the Company had 284 employees, compared with 287 at December 31, 2013.

	Men	Women	Total
Managers	66	101	167
Other grades	26	91	117
TOTAL	**92**	**192**	**284**

Employee benefits expense (salaries, payroll taxes, pension costs and related expenses) for 2013 and 2014 totaled €21.588 million and €21.271 million, respectively.

NOTE 24 IDENTITY OF THE CONSOLIDATING COMPANY

The Company's financial statements were fully consolidated by Compagnie Mérieux Alliance, 17 rue Bourgelat, 69002 Lyon.

NOTE 25 SUBSEQUENT EVENTS

None.

NOTE 26 PREMIUMS AND RESERVES

The distribution options offered by the accumulated premiums and reserves were as follows:

(in € thousands)	Total	Reimbursable or distributable	Not available for distribution
Premiums	472,492	472,492	-
Legal reserve	248	-	248
Unavailable reserve	101	-	101
TOTAL	**472,841**	**472,492**	**349**

NOTE 27 TABLE OF SUBSIDIARIES AND AFFILIATES

Financial information *(in local currency)*	Capital	Shareholders equity other than share capital	Share of equity held *(as a %)*	Carrying value of securities held *(in euros)* Gross	Net	Loans and advances granted by the Company and not yet repaid	Security deposits and guarantees given by the Company	Revenues excl. tax of the period just past	Net Income (profit or loss of the last period)	Dividends received during the period	Observations
Transgene Inc. 5 Cambridge Center, Suite 0802 Cambridge, Massachusetts 02142 USA	$30,000	–	100%	23,114	23,114	None	None	None	-	None	–
TRANSGENE BioPharmaceutical Technology (Shanghai) Co.Ltd. Rm 317,379 Bao Tun Lu, Shanghai 200011, China	7,206,186 RMB	(5,932,090) RMB	100%	875,000	150,000	None	None	None	(2,355,604) RMB	None	-
Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. Chenhuan Tower, Tianjin Medicine and Medical equipment indus. parc	85,000,000 RMB	(26,669,110) RMB	50%	5,210,821	5,210,821	None	None	None	(19,634,888) RMB	None	-
Sas ElsaLys Biotech 321 avenue Jean Jaurès 69007 Lyon	€111,435	€ (413,110)	23.72%	500,724	500,724	€ 718,400	None	€ 98,653	€ (1,213,130)	None	-
Platine SAS 321 avenue Jean Jaurès – Bâtiment Domilyon – Gerland 69007 Lyon	€721,807	€ (1,025,669)	9.87%	294,423	294,423	€388,696	None	€ 1,133,051	€ (781,942)	None	Provision for impairment of receivables € (94,500)

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4.4 REPORT OF THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

Fiscal year ended December 31, 2014

Dear Shareholders,

In compliance with the mission entrusted to us by your General Meeting, we hereby present our report for the year ended December 31, 2014, on:

- our audit of the accompanying annual financial statements of Transgene SA;
- the justification for our assessments;
- the specific verifications and information required by Law.

The annual financial statements were approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the annual financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. It also consists of assessing the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We certify that the annual financial statements, under the terms of the significant accounting policies and rules applicable in France, present a true and fair view of the results of operations for the year ended as well as the Company's financial position and assets at the end of this fiscal year.

II. Justification of our assessments

Pursuant to Article L. 823-9 of the French Commercial Code regarding the justification of our assessments, we would mention the following points:

- Note 1 (Research and Development Costs) to the annual financial statements describes the accounting rules and methods relating to the treatment of research and development costs. In the context of our assessment of the accounting policies and rules followed by your Company, we have verified the appropriateness of the accounting methods referred to above and we are satisfied that they have been applied correctly.
- the equity securities listed in your company balance sheets are valued as described in Note 1 (Equity Investments) to the annual financial statements. Our work consisted of assessing the data and assumptions on which these estimates are based. We verified that Note 12 to the annual financial statements provides appropriate information.

The assessments were made in the context of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verifications and information

We also performed specific verifications provided by law in accordance with professional standards applicable in France.

We have no matters to report concerning the fairness or consistency with the annual financial statements of the information given in the Board's management report and in the documents sent to shareholders on the financial position and the annual financial statements.

With regard to the information provided, pursuant to the terms of Article L. 225-102-1 of the French Commercial Code on compensation and benefits paid to corporate executives and undertakings made in their favor, we have verified consistency thereof with the statements or data used to prepare these statements and, if applicable, the items collected by your Company from companies controlling your Company or that are controlled by it. On the basis of this work, we certify the accuracy and fairness of this information.

In accordance with French law, we are satisfied that the various information relating to the interests and identity of the holders of the share capital and voting rights has been provided to you in the management report.

Lyon, April 27, 2015

Statutory Auditors

DIAGNOSTIC REVISION CONSEIL	**ERNST & YOUNG et Autres**
Hubert de Rocquigny du Fayel	Marc-André Audisio

4.5 PRO FORMA FINANCIAL INFORMATION

None.

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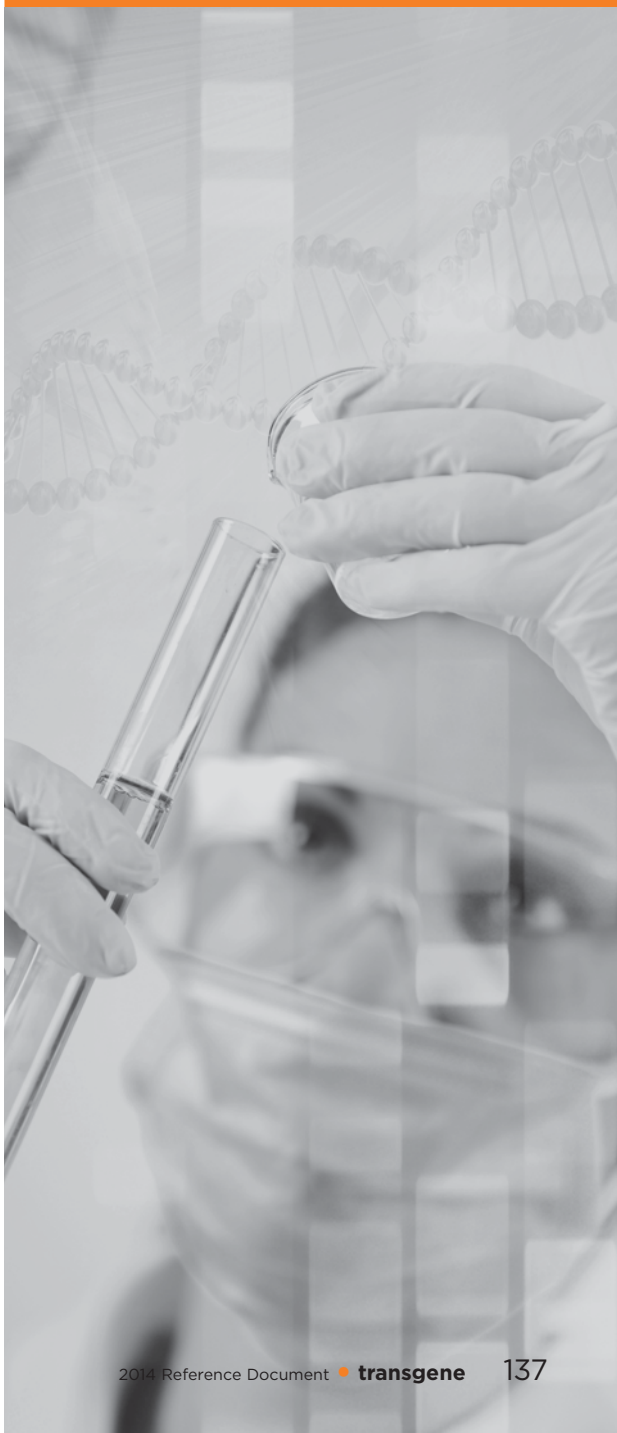
INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL



5.1 SHARE CAPITAL

5.1.1 Paid-in capital

€88,155,914.18 fully paid in, recognized as of the date of this Reference Document.

5.1.1.1 Number of shares issued

38,527,968 shares all of the same class and all fully paid in. No issued shares are unpaid. The stock has no par value.

5.1.2 Unfunded shares

None.

The Company is not aware of any of its shares existing at March 31, 2015 having been pledged or otherwise collateralized.

5.1.3 Shares held by the Company itself or in its name or by its subsidiaries

None.

5.1.4 Convertible, exchangeable securities and securities with subscription warrants

None.

5.1.5 Terms governing any right of acquisition and/or any obligation attached to the equity subscribed, but not issued, or any undertaking to increase the capital

Stock authorized and not issued

At March 31, 2015 the number of shares that could be issued against stock options that have been distributed (1,035,744) and free shares awards (42,590) was 1,087,334 or about 2.7% of the Company's share capital on a fully diluted basis (or 39,623,731 shares).

The Extraordinary General Shareholders' Meeting of June 19, 2013 delegated the following power to the Board of Directors, which the Board had not made use as of the date of this Reference Document:

Nature of the delegation granted	Total amount of delegation and effective date	Amount used by the Board
Awards of free shares in Company at no cost to Company and Group employees without preferential subscription rights	100,000 existing or unissued shares Validity: August 19, 2016	None

The Extraordinary General Shareholders' Meeting of June 18, 2014 delegated the following powers to the Board of Directors, each have been the subject of a separate resolution, of which the Board had not made use as of the date of this Reference Document:

Nature of the delegation granted	Total amount of delegation and effective date	Amount used by the Board
Capital increases with preferential rights for the shareholders	17.3 million shares in one or more tranches Validity: August 18, 2016	None
Capital increases without preferential rights for the shareholders	13.45 million shares in one or more tranches (included in the ceiling of 17.3 million shares) Validity: August 18, 2016	None
New equity for qualified investors or ones in a restricted group without preemptive rights	20% of the share capital with a price no less than the average price of three trading sessions with maximum discount of 5% Validity: August 18, 2016	None
Determination of issue price of shares in the event of the elimination of preferential subscription rights in accordance with Article L. 225-136 1° par. 2 of the French Commercial Code	10% of the share capital per year Validity August 18, 2016	None
Capital increase without preferential rights as compensation for securities in the event of a public exchange offer or contribution in kind for company securities	10% of share capital Validity: August 18, 2016	None

5.1.6 Information on the equity of any member of the Group subject to an option or a conditional or unconditional agreement to place it under option

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None.

5.1.7 Changes to share capital

CHANGE IN EQUITY OVER THE PAST THREE YEARS

Year	Type of transaction	Number of securities	Increase of capital (€)	Issue premium per share (€)	Total of issue premiums (€)	Amount equity (€)	Total number of shares
2012	Increase of share capital(1)	71,550	163,714	-		72,687,119	31,767,432
2012	Increase of share capital(2)	87,058	199,198	6.04	525,914.63	72,886,317	31,854,490
2013	Increase of share capital(1)	9,600	21,965	-	-	72,908,282	31,864,090
2013	Increase of share capital(2)	10,768	24,638	6.54	45,784.44	72,932,920	31,874,858
2014	Increase of share capital(2)	15,697	35,916.33	5.02	78,934.08	72,968,836.33	31,890,555
2014	Increase of share capital(3)	6,553,551	14,995,192.04	7.71189817	50,540,317.96	87,964,029.39	38,444,106
2014	Increase of share capital(1)	81,750	187,052.32	-	-	88,151,081.71	38,525,856
2014	Increase of share capital(2)	2,112	4,832.47	4.091898	8,642.09	88,155,914.18	38,527,968

(1) Capital increase by awarding of vested free shares to company employees.

(2) Capital increase by exercise of stock options during the year.

(3) Capital increase through the issuance of new shares.

Change in shareholdings over the past three years (see Section 5.2.1 "Name of every individual not the member of a supervisory or executive body who directly or indirectly owns over 5% (declaration threshold per statutes and Statutes) of the Company's capital or voting rights").

5.2 PRINCIPAL SHAREHOLDERS

5.2.1 Name of every individual not the member of a supervisory or executive body who directly or indirectly owns over 5% (statutory and legal reporting threshold) of the Company's capital or voting rights

The following table shows the breakdown of capital and voting rights in the Company at December 31, 2014 based on an analysis of bearer share ownership conducted at the Company's request following the capital increases made at the end of March 2014 and the distribution as at December 31, 2012 and 2013. In 2014 Dassault Belgique Aviation declared that it had passively fallen below the 5% stock ownership threshold. There is no shareholder apart from the majority shareholder TSGH that owns more than 5% of share capital.

	As at 12/31/2012			As at 12/31/2013			As at 12/31/2014[3]		
Shareholders	Number of shares	% of equity	% of voting rights[2]	Number of shares	% of equity	% of voting rights[2]	Number of shares	% of equity	% of voting rights[2]
TSGH	17,488,634	54.90	67.25	17,488,634	54.87	69.78[1]	19,987,011	51.9	66.3
Dassault Belgique aviation	1,645,440	5.17	3.73	1,645,440	5.16	3.30	1,884,182	4.9	3.3
Moneta Assets Management LLC[4]	544,000	1.71	1.23	550,000	1.73	1.10	1,523,600	3.9	2.7
Other shareholders[4][5]	12,176,416	38.2	27.8	12,190,784	38.2	25.8	15,133,175	39.3	27.7
Total	**31,854,490**	**100**	**100**	**31,874,858**	**100**	**100**	**38,527,968**	**100**	**100**
Dilutive effect of stock options +awards of free shares[4][6]	N/A	N/A	N/A	N/A	N/A	N/A	1,228,687	0.3	
TOTAL DILUTED[4]							**39,756,655**		

(1) On July 18, 2013, TSGH made an amended shareholding threshold declaration that put its voting rights at below 65% (64.73%) in June 2010 as a result of a capital increase. It again rose above the 65% threshold (to 67.18%) in July of that year as a result of the allocation of double voting rights.

(2) Article 8 of the Statutes gives double voting rights to all fully paid-up registered shares that have been registered in the name of the same owner for three years or more. In accordance with the provisions of Article L. 233-8 of the French Commercial Code, Transgene publishes monthly (if the information has changed since the last monthly publication) the total number of shares and voting rights on the AMF website and on its own site www.transgene.fr. At December 31, 2014, the total number of shares was 38,527,968; the total theoretical number of voting rights was 56,540,793 and the number of exercisable voting rights was 56,319,559. No limitation has been placed on voting rights. Double voting rights attached to a share disappear as soon as the share is sold or converted to a bearer share.

(3) In 2013, 20,368 new shares were created because of the vesting of 9,600 free shares and the exercise of 10,768 stock options.

(4) Data taken from IPREO reports of November 2011, October 2012 and October 2013.

(5) To the Company's knowledge, there are no other shareholders directly or indirectly owning, alone or in concert, over 5% of the equity or voting rights. The Company holds no treasury stock. The total percentage of employee ownership is less than 0.5%. As it is not significant, the Company does not keep track of employee ownership. To the Company's knowledge there are no jointly held shares or blocs, nor agreements among shareholders.

(6) The stock options were granted to the employees of the Company and its subsidiary Transgene, Inc., including members of the Executive Committee and to two executive corporate officers (Philippe Archinard, Chairman and Chief Executive Officer, and Christophe Ancel, Qualified Pharmacist and Deputy Chief Executive Officer.) Free shares were awarded exclusively to the employees of the Company and its wholly owned subsidiary Transgene, Inc., excluding all corporate officers and members of the Executive Committee.

5.2.2 Special voting rights of the principal shareholders

Voting rights are no different for the principal shareholders. Pursuant to Article 8 of the Statutes, a double voting right is attached to all fully paid-up registered shares that have been registered in the name of the same owner for at least three years, without regard to the number of shares the owner holds.

5.2.3 Controlling shareholder

51.99% of the Company's equity (66.38% of voting rights) is held by TSGH SAS, which is 98.66% owned by the Institut Mérieux, which is owned by the Mérieux family. There is no particular restriction placed on the powers of the principal shareholder. The Company complies with the Corporate governance code for small- and medium-cap companies. The Board of Directors includes a significant proportion of independent directors.

With regard to measures taken to ensure that the control of the Company is not exercised in an abusive manner, the Company has had, since the appointment of Ms. Zitvogel to the Board of Directors by the Shareholders Meeting of June 19, 2013, six directors out of ten (instead of five, previously) who qualify as independent using the criteria defined in the MiddleNext Corporate governance code, one of whom, Mr. Habert, is connected with the Dassault Group, which holds under 5% of the Company stock, through a family relationship and as Chairman and member of the strategy committee of Dassault Développement. Moreover, a majority of the Audit Committee consists of independent directors (two out of the three) and the Compensation Committee has on it only independent directors.

5.2.4 Agreement that could subsequently entail a change in control of the Company

To the Company's knowledge, at the date of this Reference Document there is no agreement that could at a later date, if enforced, bring about a change in the controlling interest of the Company, nor pact outside the Statutes, or any anti-takeover measure, or specific powers of representation or appointment to executive bodies.

5.3 ARTICLES OF INCORPORATION AND STATUTES

5.3.1 Corporate purpose (Article 2 of the Statutes)

The purpose of the Company, both in France and abroad, on its own behalf and on behalf of third parties:

- all activities of research, development, studies for the refinement of processes of production and marketing, preclinical and clinical development of production and marketing of all products and processes in the areas of bioindustry, biotechnology and more specifically genetic engineering, principally for the purpose of experimenting, developing and exploiting medications for human and veterinary medicine, and generally the application of all sciences and techniques that might add to the development of said products and processes;
- the creation, acquisition, by any means and the operation in any form of any company connected directly or indirectly with these activities, as well as the investment by any means in such companies;
- and more broadly, all commercial, industrial and financial operations involving any kind of asset that might relate directly or indirectly to the foregoing purpose or that might lead to its achievement, expansion or development.

5.3.2 Company management

Board of Directors (selections from and summaries of the relevant articles of the Statutes and related regulations)

The Company is governed by a board composed of at least three and no more than fifteen members, chosen from among the shareholders and elected by the General Shareholders' Meeting.

Directors are appointed for a three-year term of office. They relinquish their duties at the close of the Annual General Shareholders' Meeting called to approve the accounts of the previous fiscal year and in the year in which their term of office ends. It is arranged so that the number of terms coming to an end each year may be as regular as possible.

The directors may be re-elected and may be recalled by the General Shareholders' Meeting at any time. In the event of a vacancy of one or more seats, the Board may, in the manner prescribed by law, make provisional appointments. The directors so appointed do not serve longer than the remainder of their predecessor's term, and their appointment must be ratified by the next following shareholders' meeting.

Each director must, throughout his or her service, own at least one share of stock in the Company.

The Board of Directors elects from among its members who are individuals a Chairman and, possibly, one or more Vice-Chairmen, and sets their term of office that not exceed their term of office as a director, nor the time remaining from their appointment to the end of the Annual General Meeting called to approve the financial statements for the fiscal year in which the Chairman reaches 67 years of age.

The Board may, however, on an exceptional basis extend the term of office, on a year-by-year basis, provided that such an extension does not exceed two years.

In the event of the absence or incapacity of the Chairman, the Board shall appoint a Chairman *pro tempore* from among the Vice-Chairs or, failing that, the directors.

The Board may also appoint a Secretary who may or may not be a director.

The Board of Directors performs any controls and verifications that it deems appropriate. Each director receives all the information necessary to perform his or her job and may demand to see all documents he or she considers useful.

The Chairman of the Board of Directors shall represent the Board of Directors. He or she organizes and directs the Board's work and reports on it to the General Shareholders' Meeting. He or she shall be responsible for ensuring that the Company's governing bodies function properly and, more particularly, that the directors are capable of fulfilling their duties.

Except for the powers that the law expressly confers on the shareholders' meetings, as well as the powers that it specially reserves to the Board of Directors, and within the limits of the corporate purpose, the Chairman is invested with the broadest powers to act in the Company's name under all circumstances.

No limitation placed on the Chairman's powers by the Board of Directors can be contested by third-parties.

Subject to the provisions of foregoing paragraphs, the Board of Directors may delegate to one or more of its members or to third parties, who need not be shareholders, any special assignment for one or more set purposes, in the manner that the Board shall determine, with or without the option of substitution, and undertake any studies and inquiries. In that event, the Board sets the compensation, both fixed and proportional. If a director is given a paid term of office then the provisions of Articles L. 225-38 et seq. of the French Commercial Code shall apply.

If the Board of Directors decides to separate the positions of Chairman and Chief Executive Officer, subject to the powers that the law confers expressly on shareholders meetings as well as the powers that are specially reserved to the Board of Directors and within the limitations of the corporate purpose, the Chief Executive is invested with the broadest powers to act in the Company's name under all circumstances and represent it in relations with third parties.

On a recommendation from the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist the Chief Executive Officer with the title of Deputy Chief Executive Officer.

The number of Chief Operating Officers may not exceed five.

If they are directors of the Company, the Chief Executive Officer and Chief Operating Officers may not be appointed for longer than their term as directors.

The compensation of the Chairman of the Board of Directors, the Chief Executive Officer and the Chief Operating Officers, as applicable, are set by the Board of Directors; They may be fixed or both fixed and proportional.

In compliance with Article L. 225-9 of the French Commercial Code, the normal agreements between the Company and a director, the Chairman of the Board or the CEO must be given by the party in question to the Chairman of the Board of Directors. The list and purpose of said agreements are provided by the Chairman to the members of the Board and to the Statutory Auditors. Every shareholder is entitled to receive the list and the purpose of such current agreements.

The directors are invited to the meetings of the Board by any means, including verbally. Internal regulations of the Board may arrange ways to make decisions using telecommunications.

Decisions are passed in compliance with the conditions of quorum and majority laid down by the law. In the event of a tie vote, the vote of the session's Chairman shall prevail.

A director may give his or her proxy to another director to represent him or her at a Board meeting.

The minutes shall be prepared, and copies or excerpts of the deliberations shall be issued and certified as required by law.

The Responsible Pharmacist, who shall be licensed to practice in France (Table B of the Order) and shall file his license on behalf of the Company, will be responsible for the Company's compliance with the rules imposed by law and regulation governing the profession of pharmacy.

In this regard, the Responsible Pharmacist is fully empowered by law with all powers to make direct contact with all authorities or organizations with jurisdiction, to make all applications, solicit all approvals or authorizations, verify raw materials and authorize their use, make frequent inspections of laboratories, oversee manufacturing, and alone authorize the use and marketing of the finished products. In addition, he or she shall approve the hiring of pharmacists and the heads of other technical departments before they start work at the Company.

In the event of a conflict between the Chairman and the Responsible Pharmacist, the Board of Directors will arbitrate without ever imposing a decision that runs counter to the law or regulations and that might incur the liability of the Pharmacist.

5.3.3 Share classes

There is only one class of shares. Each share entitles the holder to one share proportional to the fraction of capital that it represents, in the Company's assets and earnings and in any liquidation surplus.

5.4.3 Shareholders' rights

Shareholders' rights may only be changed, and in the manner prescribed by law, by an extraordinary general shareholders' meeting that meets the conditions of quorum and majority set by the French Commercial Code. There is not a more restrictive provision in the Statutes. The share capital can be changed in the manner prescribed by law.

5.3.5 General Shareholders' Meetings (Article 21 of the Statutes)

General Shareholders' Meetings are convened and adopt decisions pursuant to the conditions laid down by law. Meetings take place either at the corporate headquarters or at another place specified in the notice of meeting.

According to the Article R. 225-85 of the French Commercial Code, the right to participate in General Shareholders' Meetings is justified if shares have been recorded in the shareholder's name or that of a designated intermediary by midnight (Paris time) of the third business day preceding the meeting, in either the Company's record of registered shares or the authorized intermediary's record of bearer shares.

The registration of shares in the financial intermediary's register of bearer shares shall be documented by a certificate of participation delivered by the financial intermediary (or electronically pursuant to Article R. 225-61 of the French Commercial Code) attached hereto:

- of the absentee ballot;
- of the proxy;
- of the request for an admission ticket in the shareholder's name or on behalf of a shareholder represented by a designated intermediary.

Any shareholder may be represented by another shareholder or by his or her spouse or by any other individual or legal entity they chose in the manner provided by Article L. 225-106 of the French Commercial Code. Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Vice-Chairman or by a director appointed for that purpose by the Board of Directors. Failing this, the assembly itself will elect a chairman. Meeting minutes are prepared and copies are certified and delivered in accordance with the provisions of the law.

A double voting right attached to registered shares recorded in the name of the same person for at least three years was established by the Extraordinary General Meeting of June 9, 2004 and incorporated into the Statutes (Article 8).

5.3.6 Provisions having the effect of delaying, deferring or preventing control

None.

5.3.7 Ownership thresholds (Article 7 of the Statutes)

Any individual or legal entity, acting alone or in concert with others, who in any way owns, as defined by Articles L. 233-14 and seq. of the French Commercial Code, a number of shares representing now or in the future a fraction equal to at least 5% of the equity and/or voting rights at shareholder meetings, or any multiple of that percentage, even if this multiple exceeds the legal threshold of 5%, must inform the Company of the total number of shares it holds, by registered letter with confirmation of delivery sent to the Company's registered office within 15 days of the date on which the threshold was reached or exceeded or by any equivalent means, with respect to shareholders residing outside of France.

The same information obligation shall apply in the same conditions as those specified above any time that the fraction of the share capital and/or voting rights held should fall below the threshold specified above.

In the event of failure to comply with the above provisions, voting rights will be stripped from the shares in excess of the threshold triggering the duty to notify if such is requested by one or more shareholders who together or separately own at least 5% of the equity and/or voting rights in the Company, as provided in Article L. 233-7, final paragraph, of the French Commercial Code. In the event such non-compliance is remedied, the voting rights in question cannot be exercised until the expiration of the time period prescribed by the applicable laws and regulations.

5.3.8 Conditions imposed by the Articles of incorporation and Statutes, a charter or a regulation governing changes in the share capital if such conditions are stricter than provided by law

None: the Company has no such provisions.

5.4 HISTORY AND INFORMATION ON THE COMPANY DURING THE PERIOD

5.4.1 History and development of the Company

5.4.1.1 Legal name and Commercial name

Transgene SA

5.4.1.2 Issuer's place of registration and number

The Company is registered in the Strasbourg Trade and Company Registry under identification No. RCS B 317 540 581. Its business sector code (APE) is 7211Z (Biotechnology research & development).

5.4.1.3 Date of incorporation and duration

The Company was founded in December 1979 for a term of 99 years expiring December 31, 2078.

5.4.1.4 Corporate offices, legal form and applicable law

A French corporation (*société anonyme*) with a Board of Directors, governed by the French Commercial Code.

Transgene SA
400 boulevard Gonthier d'Andernach – Parc d'Innovation
67400 Illkirch-Graffenstaden
France
Phone: +33 3 88 27 91 00

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5.5 INFORMATION ON INVESTMENTS IN AFFILIATES

The table of subsidiaries and affiliates is presented in Note 27 to the Company statements (page 133).

5.6 STATUTORY AUDITOR'S SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

General Shareholders' Meeting for the approval of the financial statements for the year ended December 31, 2014

Dear Shareholders,

In accordance with our appointment as Statutory Auditors by your Company, we hereby report on regulated agreements and commitments with third parties.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and merits or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the merits of concluding these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the General Shareholders Meeting, if any.

In this engagement we have made such investigations as we judged necessary in light of the professional code of the French association of Statutory Auditors, the Compagnie nationale des commissaires aux comptes. These investigations consisted in verifying that the information given to us was consistent with the documents on which it was based.

Agreements and obligations submitted for approval to the General Shareholders' Meeting

Agreements and commitments entered into by the Company during the year just ended

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements and commitments previously authorized by your Board of Directors.

a) Performed during the year most recently ended

With INSTITUT MÉRIEUX

Related parties: Alain Mérieux, Philippe Archinard, Jean-Luc Bélingard.

Services contract

Nature and purpose: Your company has tacitly extended the services agreement with Institut Mérieux on January 1, 2002 (amended by two riders in 2007).

Terms:

- the first rider provides that compensation is based on the services rendered by the Institut Mérieux (costs and employee expenses plus 8%) and is allocated among the companies of the Institut Mérieux Group according to three allocation factors based on the respective size of fixed assets, revenue and total payroll;
- the second rider addresses with the manner of allocating the cost of free shares if the employee beneficiary was transferred within the Institut Mérieux Group during the vesting period. The Institut Mérieux Group company that awards the free shares is to rebill the costs of awarding the shares without markup and in proportion to the time spent by the employee in question in each of companies during the vesting period.

For the period ending December 31, 2014 your Company recognized a charge of €1,364,376.

The new contract authorized by the Board of Directors on December 10, 2014 will take the place of the present services contract and its riders. It amends the term of the contract to an indefinite term and restates the manner of compensation as follows:

In exchange for the performance of the services described in the contract (including both the services continuously provided to all the Group companies and other services that might be provided specially to your company), the Institut Mérieux in its capacity as an active holding company will receive compensation calculated on the basis of the costs borne to perform said services, particularly personnel costs including salaries/wages and social security charges and any other direct costs of employees, to which

an 8% markup will be applied. The allocation factors for the services shared by the Group entities will be based on the respective size of fixed assets, revenue and total payroll.

The travel expenses of the Institut Mérieux employees tasked with the services will be invoiced at cost, supported by receipts. The costs of consultants hired by the Institut Mérieux will be invoiced at cost, supported by the related receipts.

The services will be invoiced quarterly by the Institut Mérieux based on a projected budget adjusted annually no later than June 30 of the following year.

b) Not performed during the year ended

With INSTITUT MÉRIEUX, BIOMÉRIEUX and MÉRIEUX NUTRISCIENCE

Related parties: Alain Mérieux, Philippe Archinard, Jean-Luc Bélingard.

Agreement on the allocation of termination costs of an employee leaving the Group.

Nature and purpose: Your company has tacitly renewed the agreement of January 1, 2007 providing for the financial allocations consequent to a possible termination of the employment contracts of employees who have worked at more than one company in the Institut Mérieux Group.

Terms: The company severing the employee pays all of the "contract termination expense" to the employee in question and then allocates these "expenses" among the other companies in proportion to the compensation paid by each company since the employee first began working in the Group.

The new agreement authorized by the Board of Directors on December 10, 2014 amends the term of the open-ended contract, leaving the other features of the contract largely unchanged.

This agreement had no effect during the fiscal year ended December 31, 2014.

Agreements and commitments previously approved by the General Shareholders Meeting

We have not been informed of any agreement or commitment previously approved by the General Shareholders Meeting that was executed during the year ended.

Lyon, April 27, 2015

Statutory Auditors

DIAGNOSTIC REVISION CONSEIL	**ERNST & YOUNG et Autres**
Hubert de Rocquigny du Fayel	Marc-André Audisio

5.7 EMPLOYEES

5.7.1 Workforce

See the headcount table at Section 3.2.1.1.

5.7.2 Profit-sharing agreement

There is a profit-sharing agreement that was set up in 1993 and complies with current regulations. Given the accumulated losses of the Company, as of the date of this Reference Document, no profits have been distributed to the employees under that agreement.

INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

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ADDITIONAL INFORMATION

6.1 PERSONS RESPONSIBLE

6.1.1 Persons responsible for the information

Philippe Archinard
Chairman and Chief Executive Officer
Jean-Philippe Del
Vice President, Finance
Ghislaine Gilleron
Corporate Secretary

Phone: +33 03 88 27 91 21
Fax: +33 03 88 27 91 11
www.transgene.fr

6.1.2 Declaration by the person responsible

I, the undersigned, having taken all reasonable measures for the purpose, hereby certify that the information contained in this document is, to the best of my knowledge, a true non presentation of the facts and contains no omissions that might distort its meaning.

I certify, to the best of my knowledge, that the financial statements have been prepared in compliance with applicable accounting standards and are a true representation of the assets, financial position and earnings of the Company and all consolidated companies, and that the management report appearing on pages 162 to 165 accurately presents the changes in sales, earnings and financial position of the Company and of all consolidated companies and fairly portrays the chief risks and uncertainties these companies face.

I have received an audit completion letter from the Statutory Auditors, in which they state that they have verified the information regarding the financial position and financial statements presented in this document and have reviewed the entire document.

The Statutory Auditors have issued reports on the historical financial data presented in this document. These reports appear on pages 112, 134 and 135 and contain no qualifications.

Philippe Archinard
Chairman and Chief Executive Officer

6.2 PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

6.2.1 Statutory Auditors

Primary Statutory Auditors

ERNST & YOUNG et Autres 1/2, place des Saisons 92400 Courbevoie - Paris-La Défense represented by Marc-André Audisio	**Commissariat Contrôle Audit - C.C.A** 20, rue Garibaldi 69006 Lyon represented by Hubert de Rocquigny du Fayel

Ernst & Young et Autres is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles and of the Ernst & Young network.
Commissariat Contrôle Audit - C.C.A is a member of the Compagnie Régionale des Commissaires aux comptes de Lyon and the PricewaterhouseCoopers network.

DATES OF APPOINTMENT AND EXPIRATION OF TERMS	
Appointed May 29, 1996 and renewed February 16, 1998, and again June 9, 2004 and June 17, 2010 until the shareholders meeting called to approve the 2015 financial statements.	Appointed February 16, 1998 and renewed June 9, 2004, and again June 17, 2010 until the shareholders meeting called to approve the 2015 financial statements.

SUBSTITUTE AUDITORS	
Auditex Tour Ernst & Young 1/2, place des Saisons 92400 Courbevoie - Paris-La Défense 1	**Diagnostic Révision Conseil** 112 rue Garibaldi 69006 Lyon

DATES OF APPOINTMENT AND EXPIRATION OF TERMS	
Appointed June 17, 2010 until the shareholders meeting called to approve the 2015 financial statements.	Appointed February 16, 1998 and renewed June 9, 2004, and again June 17, 2010 until the shareholders meeting called to approve the 2015 financial statements.

6.2.2 Fees paid to the Statutory Auditors

	Ernst & Young et Autres				Cabinet C.C.A.			
	Total (excl. VAT)		%		Total (excl. VAT)		%	
(in € thousands)	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Audit								
Statutory Auditors certification, examining the Company and consolidated financial statements								
issuer	60.0	60.1	78.9%	66.7%	24.7	21.1	100%	100%
fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Other undertakings and services directly related to the audit of the Statutory Auditor								
issuer	16.0	30.0	21.1%	33.3%	-	-	-	-
fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Subtotal	**76.0**	**90.1**	**100%**	**100%**	**24.7**	**21.1**	**100%**	**100%**
Other services provided by partner firms to the fully consolidated subsidiaries								
Legal, tax and employment matters	-	-	-	-	-	-	-	-
Other (specify if >10% of the audit fees)	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**76.0**	**90.1**	**100%**	**100%**	**24.7**	**21.1**	**100%**	**100%**

6.3 INFORMATION FROM THIRD PARTIES, STATEMENTS OF EXPERTS, AND DECLARATIONS OF INTEREST

None.

6.4 DOCUMENTS AVAILABLE TO THE PUBLIC

Throughout the effective period of this Reference Document, the following documents may be viewed:

- the Company Statutes;
- all reports, correspondence and other documents, background financial information, appraisals and expert opinion given upon request by the Company, part of which is included or referred to in this document;
- historical financial information of the Company and its affiliate for each of the two accounting periods preceding the publication of the Reference Document;
- the internal regulations of the Board.

These documents may be viewed on the website: www.transgene.fr or obtained from Jean-Philippe Del, Vice President, Finance.

6.5 CROSS-REFERENCE TABLES

In order to facilitate the reading of the Reference Document, the following table identifies the main information required by annex 1 of European Regulation no. 809/2004/EC.

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6.6 GLOSSARY

Adenovirus: a member of a family of DNA viruses responsible for diseases of the respiratory tract, eye, and gastrointestinal tract. The forms of adenovirus used in immunotherapy, particularly the type 5 adenovirus for Transgene, are safe and cause no symptoms or pathology. Genes with an ability to boost the immune system or to repair genetic defects can be inserted into the genome of the virus.

Antibody: Antibodies are proteins used by the immune system to identify and neutralize foreign bodies such as bacteria and viruses. The antibody binds itself to a specific location on its target, called the antigen. This binding activates several functions of the immune system, since antibodies have different modes of action depending on their type: some neutralize or disarm the antigens directly while others prepare them for destruction by white blood cells.

Antigen: an antigen is a substance that causes the organism to mount an immune defense against it. Antigens can be produced by the organism itself (self antigens) or come from the environment (non-self antigens). The latter include toxins, chemicals, bacteria, viruses, parasites and other substances from outside the body. Usually the immune system does not react against self antigens; but nevertheless certain pathologies called auto-immune diseases involve self-destruction by this defense system (multiple sclerosis, rheumatoid arthritis, type 1 diabetes, etc.)

Biomarker: a biomarker is an indicator used in diagnosis to define or predict the course of an illness: a viral, bacterial or parasitic infection and cancers. This biomarker can be used to adapt a treatment to a particular pathology in a given patient.

Cytokine: a large category of small proteins involved in the immune defense system. Some cytokines boost or inhibit the immune system, as needed.

Cytolysis – cytolitic: tending to dissolve (destroy) cells.

Epithelial cells: these constitute a tissue that covers either the outer surfaces of the organism (like skin or oral mucoses) or the inside of the body (heart cavity, digestive canal, etc.) These cells also help to make up certain glands such as the prostate, the thyroid, and the mammary and salivary glands.

Gene: the functional and physical unit of heredity, transmitted from parent to child. Genes are components of DNA and most of them contain the information necessary to manufacture a specific protein.

GM-CSF: (granulocyte-macrophage colony stimulating factor) a cytokine that acts as a growth factor on white corpuscles, especially granulocytes, macrophages and cells that become platelets.

Histology: the study of the appearance of cells under a light or electronic microscope.

Interleukin-2 (IL2): a cytokine that stimulates the growth of certain cells in the immune system involved in the defense of the organism.

Lymphocytes: immune cells (white corpuscles) produced by bone marrow and found in blood and lymph. The two principal types of lymphocytes are B cells and T cells. B lymphocytes produce antibodies and T lymphocytes help destroy tumor cells and control the immune response.

Metastasis: the spread of cancer cells from one part of the body to another.

Metronomic: cancer treatment with regularly repeated low doses of drugs, like a metronome. This method acts not only on the tumor environment, by destroying the blood vessels that nourish the tumor, but also on the immune system by destroying blocking cells.

Monoclonal antibodies: monoclonal antibodies are antibodies produced by a given cell that can bind to only one substance. Monoclonal antibodies are used in the treatment of certain types of cancer, as well as other diseases. They may be used alone or to transport therapies such as toxins or radioactive substances directly into the cancerous cells.

MUC1: protein found in certain epithelial cells, which line the internal surfaces of the organism (lungs, stomach, breasts, ovaries, intestines, etc.). The aberrant form of MUC1 is found in abnormal quantities in cancerous patients.

MVA (Modified Vaccinia Virus Ankara): a highly attenuated strain of the vaccine developed towards the end of the campaigns to eradicate smallpox, primarily for people sensitive to conventional vaccination. MVA is an attenuated virus often used to develop vaccines for antigen expression. The MVA virus is a desirable vaccine strain for clinical studies because of its outstanding safety.

Myeloid: having to do with a specific category of cells produced by the bone marrow that become the reserve for renewing certain white blood cells, red blood cells and platelets.

Objective tumor response: an objective tumor response is measurable. It is most often evaluated with medical imaging and is one of the major indicators in evaluating a cancer therapy.

Oncolytic virus: a virus that selectively infects cancer cells and destroys them. When the infected cancer cells are destroyed by lysis, they liberate new infectious viral particles that in turn help destroy the surrounding tumor cells. Besides directly destroying tumor cells, oncolytic viruses stimulate tumor-fighting immune responses in the patient.

Orphan designation drug: a classification that regulatory authorities (the Food and Drug Administration in the USA, the European Medicines Agency in Europe) may apply to a drug or biological product for the treatment of a rare, fatal or chronically debilitating disease.

Phase 1 (clinical study): the first step in testing of a drug in humans, either in healthy volunteers or in patients with various diseases. The phase 1 study tests a medication or treatment on a small number of people in order to evaluate safety and tolerability.

Phase 2 (clinical study): phase 2 clinical studies include a greater number of patients than phase 1 and are designed to evaluate the safety, dosage and sometimes the effectiveness of the new drug or treatment.

Phase 3 (clinical study): phase 3 clinical studies typically involve hundreds or thousands of patients depending on the disease, and are designed to evaluate the safety and effectiveness of a drug in a controlled setting.

Poxvirus: a large family of DNA viruses, the best known of which are the vaccine viruses that enabled the eradication of smallpox in the late 1970s, which remains to date the only example of the elimination of a worldwide pandemic. Because it is so effective, this virus family is used today for other infectious diseases (HIV, tuberculosis, RSV, ebola) or in oncology (therapeutic vaccines, oncolytic agents).

Protein: a molecule made up of chains of units called amino acids. There are 21 of these amino acids, and some are known as essential amino acids since our bodies cannot synthesize them. These molecules play a number of roles: structural, as sensors, for repair, etc.

Protocol: the detailed plan of a scientific or medical experiment, a treatment or procedure. The protocol of a clinical study describes what is done, how and why.

Randomized: in a randomized clinical study the patients are assigned by chance to separate groups to compare different treatments.

Receptor: a molecule inside or on the surface of a cell that binds to a specific substance and causes a biological reaction in the cell.

Recombinant: a molecule (DNA or protein) is recombinant when a new combination is made of its genetic material. For example, when DNA segments from different sources are joined to produce an original sequence.

Refractory: a disease is said to be refractory if it does not respond to a treatment.

Stage: the level of growth of a cancer. Stage is generally determined by the volume of the tumor, whether or not the lymphnodes have been affected and by the extent to which the cancer has spread from the original site to other areas of the body. Stages run from 0 to IV, with IV being the most advanced stage.

Solid tumor: an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors can be benign (non-cancerous) or malignant (cancerous).

T cells or T lymphocytes: type of white blood cells belonging to the immune system and developing from stem cells in bone marrow. They help protect the body from infections and can help fight cancer.

Targeted therapy: a treatment that uses drugs to specifically identify, block or destroy cancer cells, with less damage to normal cells.

Tyrosine kinase inhibitors: substances that block the action of enzymes called tyrosine kinases. These enzymes have many functions including cellular signaling, growth and division. They can be overly active or present at high levels in certain types of cancer cells. Blocking them can prevent the growth of cancer cells. They are a form of targeted therapy.

Vascularization: the formation of blood vessels in the human body or an organ.

Viral vaccine vector: an attenuated form of a virus transporting an antigen. The vector is used to produce one or more antigens in the organism and stimulate the immune system, forcing it to mount an immune response against the targeted antigen(s).

Some definitions were adapted from the online dictionary of the National Cancer Institute at www.cancer.gov.

6.7 APPENDIX: MANAGEMENT REPORT FOR THE PERIOD ENDED DECEMBER 31, 2014

Ladies and Gentlemen,

We have invited you to this Annual General Shareholders' Meeting to approve the financial statements for the period ending December 31, 2014 and to vote on several other resolutions.

This management report in addition to the topics it is legally obliged to cover, discusses the business and operations of our Company during the fiscal year ended, points out the highlights, analyzes the financial statements and provides an outlook for 2015.

Highlights of 2014 were the increase in shareholders equity with the €65.5 million raised in equity financing and the publication of important data on products in development, but also the decision by Novartis not to exercise its option to license the product TG4010. These developments are summarized below.

A total of €65.5 million raised

On March 25, the Company announced that a total of €65.5 million was raised in a capital increase in two steps:

- a capital increase with preemptive rights launched on February 28, 2014, which raised gross proceeds of €45.5 million and resulted in the issuance of 4,553,551 shares. All 4,553,551 new shares were subscribed by shareholders and purchasers of preferential subscription rights. The exercise of preferential subscription rights on an irreducible basis amounted to 4,378,903 shares. The remaining shares were subscribed on a reducible basis. Institut Mérieux, through its subsidiary TSGH, exercised all of its irreducible preferential subscription rights on 2,482,574 shares for a total amount of €24,825,740;
- a private placement completed on March 24, 2014, to respond to requests by a number of qualified investors, many of whom were foreign, of 2,000,000 additional shares at a price of €10 per share, which raised €20 million. This private placement was carried out in accordance with Article L. 225-136 of the Commercial Code and 12th Resolution of the General Shareholders' Meeting of June 19, 2013, with investors as defined in Article L. 411-2 II of the Monetary and Financial Code (qualified investors and/or accredited investors acting on their own behalf) in France and outside France, including the United States.

Development with the key products in 2014

In 2014 the Company was heavily involved in regulatory activities, especially with two phase 3 programs in preparation. The Company decided to continue its preparations for the launch of the phase 3 portion of the TIME study with TG4010, while continuing to look for a partner for this product. And following the joint decision by the partners to develop Pexa-Vec, the Company has been heavily involved in preparations for the phase 3 trial with this product.

TG4010

After reporting, on January 8, 2014, the preliminary results of part phase 2b of the TIME study (a phase 2b/3 study evaluating TG4010 in combination with chemotherapy for lung cancer), supporting the use of a predictive biomarker based on TrPAL cells, the Company was able to confirm these results as the data evolved over the course of the year. On May 27, 2014, promising new results were reported, including statistically significant improvement in progression-free survival for a subgroup of patients with non-squamous tumors.

Novartis, however, which held an option to license the development and commercialization of TG4010, notified the Company in April 2014 of its decision not to exercise this option. Despite the results announced and despite interest in the product, the search for a new partner still goes on. This situation contributed to the significant erosion of the stock price over the past twelve months, a decline of 45%.

Pexa-Vec

On March 18, 2014, the Company announced the completion of the acquisition of its partner for Pexa-Vec, Jennerex, Inc., by SillaJen, Inc., involving the disposal by Transgene of all of its approximately 8.5% stake in Jennerex. Besides an initial payment of $3.2 million received in April 2014, the Company could receive further payments of approximately $9 million depending on the successful achievement of clinical and regulatory milestones and on repayment of the collective guarantee fund by former Jennerex shareholders.

Following this event, on March 26, the global partners for the development of Pexa-Vec/Transgene, SillaJen and Lee's Pharmaceutical confirmed their plan for the clinical development of this product, specifically: the initiation of a phase 3, in the first-line treatment of advanced liver cancer, plus

several additional phase 1 and 2 studies in a variety of cancers, with Pexa-Vec alone or in combination with other treatments, including immune checkpoint inhibitors.

Other preclinical candidates: TG1050 and TG6002

- In May 2014, the Company stated that it had started a preclinical studies program with TG6002, an oncological immunotherapy product for treatment of solid tumors that was designed and developed in-house by Transgene staff.
- Preclinical data for TG1050, a targeted immunotherapy product against chronic hepatitis B, were presented in July 2014 at the 5th Annual International Hepatitis B Symposium in China. These findings demonstrate, in addition to its antiviral activity, the ability of TG1050 to induce a functional immune response. In view of these results, the Company decided to move this product into clinical development.

Product manufacturing

In January 2014 the Company decided to start the construction phase of the new platform for manufacturing immunotherapy products for commercial use, in particular the Company's therapeutic products. The platform is located in the Genzyme Polyclonals plant in Lyon, in the Gerland district, for an investment of €10 million financed in equal shares by Sanofi and the Company. The platform will remain the exclusive property of Sanofi.

The key activities expected in 2015 related to the products in development are as follows:

- TG4010: finalization of a clinical development plan, including, provided there is a partnership, initiating (i) the phase 3 portion of the TIME study, with first-line trials in non-squamous non-small cell lung cancer and (ii) the phase 2 clinical studies of TG4010, as a first-line therapy in combination with immune checkpoint inhibitors (ICIs) and as a second-line treatment of non-small cell lung cancer;
- Pexa-Vec: initiate the phase 3 study, with first-line trials in liver cancer, which the Company and its partners SillaJen and Lee's Pharmaceuticals currently plan to launch in the fourth quarter of 2015. It is also planned that over the next twelve months various 1 or 2 phase studies of Pexa-Vec will be initiated in different types of cancers and in combination with ICIs;
- TG1050: patients with chronic Hepatitis B who will participate in the phase 1 trials of this immunotherapy product are now being screened. The Company plans to enroll the first patient in the study very soon;
- the Company has decided not to initiate the planned phase 2b trial of TG4001 in oropharyngeal cancer in collaboration with the EORTC but to focus the development of this product instead in advanced cancers induced by the human papilloma virus (HPV) in combination with ICIs. The Company is in contact with both industry and academic organizations in order to advance this plan as quickly as possible.

Review of research activities

The Company has a rich portfolio of programs in early stages of development. These include:

- TG3003, a humanized monoclonal antibody for cancer immunotherapy, now in preclinical testing;
- TG6002: an oncolytic virus for treating solid tumors, also in preclinical testing.

The Company is also conducting research for the design and development of an immunotherapy product against tuberculosis, including tuberculosis that is resistant to antibiotics. Several potential candidates have been generated and are presently under evaluation to select the best one to move into development.

Dr. Eric Quéméneur, Executive Vice President and Vice President of Research, who joined the Company in September 2014, has worked out a plan to strike a balance between the support of products in the clinic and the discovery and characterization of the active ingredients that will make the products of tomorrow. The Company will continue its investments in research, especially in the area of biomarkers and combined approaches with immunomodulators.

Other developments

The Company and the other major shareholders of Platine Pharma Services SAS (Innate Pharma Services and Indicia), a company specializing in immunomonitoring continued to reduce their stake in the company, while ABL, Inc., a company of Institut Mérieux specializing in contract research and based in the United States that is looking for market opportunities in Europe acquired a majority stake. This withdrawal reflects a shared desire by the shareholders to ally Platine with a company in its business segment. After this transaction, the Company's stake in Platine Pharma Services SAS was 9.8%.

Regulated Agreements

The Board of Directors voted to renew and amend two regulated agreements in 2014. These contracts were rewritten to include an open-ended term with an option for either party to terminate at any time, as well as the following changes:

Agreement on allocation of employment contract termination costs, concluded between the Institut Mérieux, Mérieux Nutrisciences, Transgene and bioMérieux SA and effective as of January 1, 2007.

This agreement provides that the costs of terminating employment contracts of employees who work for the

companies party to this agreement will be allocated according to an economic formula that is fair to all parties. This allocation will be in proportion to the compensation paid by each Group company that received services from the employee, except for compensation that had been the basis for previous severance pay. The agreement has been extended to other Group subsidiaries: Théra, Mérieux Développement and ABL and it has been reworded accordingly.

The renewal of this agreement is justified by the Company's interest in defining, for the Institut Mérieux Group, the shared rules and conditions for allocating the costs of terminating employment contracts of employees who have worked for companies of aid group. The agreement had no effect during past reporting periods.

Services contract with Mérieux Alliance effective January 1, 2002

The services contract between Transgene and Institut Mérieux (formerly Mérieux Alliance) defines the rules for billing back to Transgene the services provided by Institut Mérieux as an active holding company of the Institut Mérieux Group. These services consist of (i) recurring assistance provided to all companies in the Institut Mérieux Group in administration (legal, cash management, human resources), in scientific matters and in representing the companies of the Institut Mérieux Group in France and abroad, as well as (ii) ongoing and periodic assistance provided solely to Transgene.

The cost of these services is rebilled in accordance with OECD rules by applying a markup of 8%. However, with respect to the portion of these services provided by providers outside Institut Mérieux on its behalf, the reinvoicing is done at cost.

The allocation formula key, per company, of the cost of the services provided to all companies of the Institut Mérieux Group is unchanged. It is based on three criteria: total payroll, revenue and the fixed assets of each company.

The definition of the services provided by Institut Mérieux has been reformulated to reflect the changes that have occurred in the group since 2002 and reproduce the "Transfer Pricing" documentation implemented in the Institut Mérieux Group.

The renewal of this contract is justified by the Company's interest in receiving support from Institut Mérieux, which has highly qualified people available, particularly in terms of strategy, public relations and human resources along with scientific, industrial, legal and financial matters. As an active holding company, Institut Mérieux sets the general policy and development strategy of the Group's companies, including Transgene, and provides them with its assistance. The efficiency and consistency that result from this would be hard to achieve without a structure to coordinate the policies of each Group company. This is a benefit of belonging to the Institut Mérieux Group.

Change in financial position

At December 31, 2014, Transgene SA's available cash and available-for-sale financial assets totaled €65.4 million. Transgene projects net cash outflows of approximately €45 million for 2015.

Significant events after the balance sheet date

None.

Other items

Transactions on Company stock by executives and corporate officers

In March 2014, as part of the capital increase with preferential subscription rights that raised a gross total of €45.5 million and resulted in the issuance of 4,553,551 shares, TSGH, the majority shareholder and a director of the Company, exercised all of its preferential subscription rights of the irreducible preferential subscription rights, for a subscription of 2,498,377 shares in the total amount of €24,987,770. Following this capital increase and the private placement of 2,000,000 shares were carried out in March 2014, TSGH held 52% of the equity and 66.4% of the voting rights in the Company.

Factors that could have an impact in the event of a public offering

Shareholders structure: the majority shareholder, as stated above, is TSGH. The Company is thus ultimately controlled by Alain and Alexandre Mérieux through Compagnie Mérieux Alliance that owns 100% of Institut Mérieux that itself owns 98.66% of TSGH. The Company has no treasury stock and has no program in place to buy back its shares. The Belgian corporation Dassault Belgique Aviation, the sole shareholder who held over 5% of the Company stock, declared on January 14, 2015 that it fell below this threshold passively after additions to the Company's equity and voting rights and held 1,880,502 shares representing as many voting rights, or 4.88% of the equity and 3.33% of the voting rights at the date of the declaration.

Furthermore, the Company has taken no steps in its Statutes or contracts that could have an impact in the event of a public offering and is not aware of any shareholder agreements that could have one.

Information on supplier payment terms

Article L. 441-6 paragraph 6 of the French Commercial Code provides that the time agreed upon between the parties for the payment of sums due may not exceed 45 days from the last day of the month or 60 days from the invoice date. Absent an agreement, the maximum period is 30 days from the date of receipt of the merchandise or performance of service.

With regard to Transgene's supplier invoices unpaid at the end of the period, they are aged as follows:

	As of December 31, 2014		As of December 31, 2013	
Maturity	*Euro*	*% of total*	*Euro*	*% of total*
Past due	298,329	39%	695,263	32%
Between 1 and 30 days	432,624	57%	1,412,335	64%
Between 31 and 45 days	13,643	2%	65,572	3%
Between 46 and 60 days	15,214	2%	29,082	1%
Between 61 and 75 days	-	-	-	-
Between 76 and 90 days	-	-	-	-
Between 91 and 105 days	-	-	-	-
Between 106 and 120 days	-	-	-	-
Above 120 days	-	-	-	-
TOTAL	**759,810**	**100%**	**2,202,252**	**100%**

CROSS-REFERENCE TABLE, MANAGEMENT REPORT/ REFERENCE DOCUMENT

Other parts of the management report incorporated in this Reference Document		Please refer to the Reference Document
	FY2014 Financial Statements	Section 4.3
2014 annual financial statements	Consolidated Financial Statements	Section 4.1
	List of corporate offices	Paragraph 2.1.1
Corporate officers	Compensation	Section 2.2
Subsidiaries and affiliates		Paragraph 4.3.2 Note 27
	Risk factors	Section 1.5
	Table of authorizations for the Board to increase the capital	Paragraph 5.1.5
	Shareholders structure	Section 5.2
Other information	Corporate Social Responsibility	Chapter 3
	Stock options report	Paragraph 2.2.3
Special reports	Report on free shares awards	Paragraph 2.2.4

TABLE OF TRANSGENE FINANCIAL INCOME OVER THE LAST FIVE FISCAL YEARS

(Articles R. 225-81, R. 225-83 and R. 225-102 of the French Commercial Code)

(in € thousands, except for shares and per share data)

Category	2010	2011	2012	2013	2014
1. Financial position at year end					
a) Share capital	72,460	72,523	72,886	72,933	88,156
b) Number of shares issued	31,668,200	31,695,882	31,854,490	31,874,858	38,527,968
2. Comprehensive operating net income					
a) Revenue excl. VAT	1,726	3,020	2,362	2,958	2,340
b) Profit before tax, depr., amort. & provisions	(39,194)	(47,898)	(46,635)	(47,782)	(56,685)
c) Income tax expense	7,824	7,821	8,463	8,901	8,463
d) Profit after tax, depreciation and provisions	(33,078)	(41,873)	(40,436)	(41,454)	(50,884)
e) Earnings distributed	-	-	-	-	-
3. Operating earnings per share					
a) Profit after tax but before depreciation and provisions	(0.99)	(1.26)	(1.20)	(1.22)	(1.25)
b) Profit after tax, depreciation and provisions	(1.04)	(1.32)	(1.27)	(1.30)	(1.32)
c) Dividend per share	-	-	-	-	-
4. Personnel					
a) Number of employees	291	298	299	287	284
b) Total payroll	12,874	13,833	13,882	14,149	14,055
c) Amount paid in social benefits (social security, welfare plans, etc.)	6,661	6,836	7,324	7,439	7,216

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