

Transgene Reports Financial Results for First Six Months of 2015

- **€53.0 million in cash and cash equivalents as of June 30, 2015**
 - **Full year 2015 cash burn guidance reduced to €35-40 million**
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Strasbourg, France, September 10, 2015 – Transgene SA (Euronext: TNG) today announced its financial results¹ for the six-month period ended June 30, 2015.

Revenue for the six-month period ended June 30, 2015 amounted to €5.3 million, compared to €6.1 million for the same period in 2014. Government financing for research expenditures accounted for the majority of revenue, with €4.5 million for the first six months of 2015 compared to €5.0 million for the same period in 2014.

Research and development expenses amounted to €16.9 million for the first six months of 2015, compared to €21.8 million for the first six months of 2014, at constant perimeter². This decrease was mainly due to the completion of the phase 2b clinical trials of TG4010 and Pexa-Vec.

General and administrative expenses amounted to €2.9 million for the first six months of 2015, compared to €3.8 million for the same period in 2014. This decrease was mainly due to a staff decrease in financial and administrative support functions, a consequence of a reallocation of internal resources.

In June 2015, Transgene made the decision to restructure the Company and discontinue its manufacturing operations. A net restructuring provision of €5.9 million was recorded for the six-month period ended June 30, 2015.

As a result of the restructuring decision, the net financial impact of the discontinued activities must be presented as a separate item in the consolidated financial statements. Net loss from continuing operations amounted to €21.7 million for the first half of 2015, compared to €21.1 million for the same period in 2014, at constant perimeter. Net loss from discontinued operations for the six-month period ended June 30, 2015 was €6.4 million, including a loss from the evaluation in assets held for sale of €2.9 million. Excluding the impact of assets evaluation, net loss from discontinued operations was €3.5 million for the six-month period ended June 30, 2015, compared to €4.0 million for the same period in 2014.

Overall net loss amounted to €28.1 million for the first half of 2015. Excluding the impact of the restructuring provision and assets held for sale evaluation (overall impact of €8.8 million), net loss amounted to €19.3 million for the first half of 2015 compared to €25.1 million for the same period in 2014. Net loss per share was €0.73 for the first six months of 2015 compared to €0.65 for the same period in 2014.

As of June 30, 2015, the Company had cash, cash equivalents, available-for-sale financial assets and other financial assets of €53.0 million, compared to €65.9 million as of December 31, 2014.

¹ Unaudited and not subject to approval by the Board of Directors.

² Figures exclude expenses related to manufacturing operations. See later in press release and 2015 Interim Financial Report for more detailed information.

Cash burn for the first six months of 2015 was €13.0 million, which included cash burn of €8.9 million in the first quarter and €4.1 million in the second quarter of 2015. Cash burn for the second quarter decreased significantly compared to the previous quarter mainly due to the receipt of financing of the 2014 research tax credit (€8.0 million), as well as a reduction in operating expenses.

Updated cash burn guidance:

The Company has revised its guidance for cash burn for the full year 2015 to €35-40 million, a significant reduction compared to previous guidance of approximately €45 million. The reasons for the change are (i) a cost reduction plan implemented in parallel to the restructuring plan (The restructuring is expected to have a cash impact mainly in 2016), and (ii) the cash expected from the sale of the manufacturing unit.

Philippe Archinard, Chairman and Chief Executive Officer, said: *“We continued to advance our programs during the first half of 2015, and data from several programs, including TG4010 in non-small cell lung cancer and two pre-clinical programs - TG3003 against cancer and TG1050 against hepatitis B - were presented at major medical conferences. We continue to move our immunotherapy candidates forward in development.”*

Mr. Archinard continued: *“However, we also had to make the difficult decision during this time of implementing a corporate restructuring to secure the Company's future. Our focus going forward will be on research and development, particularly advancing our clinical programs, as well as on translational research. We are working closely with our Board to finalize our development priorities and look forward to providing a full update as soon as our plans have been approved.”*

Key events during the first half of 2015:

Corporate: Announcement of corporate restructuring and cessation of manufacturing operations

TG4010: New data from TIME Phase 2b trial in non-small cell lung cancer presented at American Society of Clinical Oncology (ASCO) Annual Meeting

Pre-clinical data supporting combination of TG4010 with immune checkpoint inhibitors presented at Annual Meeting of American Association for Cancer Research (AACR)

Pexa-Vec: Agreement reached with U.S. Food and Drug Administration (FDA) on a Special Protocol Assessment (SPA) for global Phase 3 clinical trial in hepatocellular carcinoma

Other

Programs: Pre-clinical data with TG3003 anti-cancer monoclonal antibody presented at AACR Annual Meeting

New pre-clinical data with TG1050 immunotherapy against chronic hepatitis B presented at The International Liver Congress™ 2015, the 50th Congress of the European Association for the Study of the Liver (EASL)

About Transgene:

Transgene S.A. (Euronext: TNG), part of Institut Mérieux, is a publicly traded French biopharmaceutical company focused on discovering, developing and manufacturing targeted immunotherapies for the treatment of cancer and infectious diseases. Transgene's programs utilize viral vector technology with the goal of indirectly or directly killing infected or cancerous cells. The Company's two lead clinical-stage programs are: TG4010 for non-small cell lung cancer and Pexa-Vec for liver cancer. The Company has several other programs in clinical and pre-clinical development. Transgene is based in Strasbourg, France, and has additional operations in Lyon, as well as satellite offices in China and the U.S. Additional information about Transgene is available at www.transgene.fr.

Disclaimer:

This press release contains certain forward-looking statements about the Company's financial situation, including statements about cash burn and statements about the future development of its product candidates. Although the Company believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated and have a significant negative outcome for the Company's activities, perspectives, financial situation, results and development. The Company's ability to commercialize its products depends on but is not limited to the following factors: positive pre-clinical data may not be predictive of human clinical results, the success of clinical studies, the ability to obtain financing and/or partnerships for product development and commercialization, and marketing approval by government regulatory authorities. For a discussion of risks and uncertainties which could cause the Company's actual results, financial condition, performance or achievements to differ from those contained in the forward-looking statements, please refer to the Risk Factors ("Facteurs de Risque") section of the Document de Référence and its Actualisation, which are available on the AMF website (<http://www.amf-france.org>) or on Transgene's website (www.transgene.fr).

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Consolidated interim balance sheet, IFRS
(in thousands of euros)

ASSETS	June 30, 2015	December 31, 2014
<u>Current assets:</u>		
Cash and cash equivalents	3,833	3,513
Other current financial assets	49,175	62,422
Cash, cash equivalents and other financial assets:	53,008	65,935
Trade receivables	1,397	1,540
Inventories	1,137	1,149
Other current assets	18,521	10,614
Assets held for sale	3,500	-
Total current assets	77,563	79,238
<u>Non-current assets:</u>		
Property, plant and equipment	16,693	23,641
Intangible assets	643	1,056
Non-current financial assets	4,994	3,852
Equity consolidated affiliates	1,722	2,320
Other non-current assets	26,699	30,846
Total non-current assets	50,751	61,715
Total assets	128,314	140,953
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LIABILITIES AND EQUITY	June 30, 2015	December 31, 2014
<u>Current liabilities:</u>		
Trade payables	8,123	8,296
Financial liabilities	17,253	8,992
Provision for risks	7,412	127
Other current liabilities	4,814	4,148
Total current liabilities	37,602	21,563
<u>Non-current liabilities:</u>		
Financial liabilities	43,442	43,199
Employee benefits	3,056	4,352
Other non-current liabilities	-	-
Total non-current liabilities	46,498	47,551
Total liabilities	84,100	69,114
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<u>Equity:</u>		
Capital	88,196	88,156
Share premium	476,558	476,255
Retained earnings	(491,263)	(442,707)
Net loss for the period	(28,083)	(48,556)
Other comprehensive income	(1,194)	(1,309)
Total equity and reserves attributable to Company shareholders	44,214	71,839
Total liabilities and equity	128,314	140,953

Consolidated interim income statement, IFRS
(in thousands of euros, except per share data)

	June 30, 2015	June 30, 2014
Revenue from collaborative and licensing agreements	777	1,086
Government financing for research expenditure	4,478	4,988
Revenue	5,255	6,074
Research and development expenses	(16,907)	(21,839)
General and administrative expenses	(2,991)	(3,850)
Other revenue and (expenses), net	(5,536)	(197)
Net operating expenses	(25,434)	(25,886)
Operating income / (loss) from continuing operations	(20,179)	(19,812)
Interest income/(expense), net	(882)	(566)
Income from equity consolidated affiliates	(598)	(755)
Income / (loss) before tax	(21,659)	(21,133)
Income tax expense	-	-
Net income / (loss) from continuing operations	(21,659)	(21,133)
Net income / (loss) from discontinued operations	(6,424)	(3,980)
Net income/(loss)	(28,083)	(25,113)
Net income per share (€)	(0.73)	(0.65)
Diluted earnings per share (€)	(0.73)	(0.65)

Comprehensive income (IFRS)
(in thousands of euros)

	June 30, 2015	June 30, 2014
Net income / (loss)	(28,083)	(25,113)
Foreign exchange gains / (losses)	13	(1)
Re-evaluation hedging instruments	102	(116)
Other comprehensive income re-classifiable into profit or loss	115	(117)
Comprehensive income (loss)	(27,968)	(25,230)
Of which, equity holder of the parent:	(27,968)	(25,230)
Of which, minority interests:	-	-

Consolidated interim cash flow statement, IFRS
(in thousands of euros)

	June 30, 2015	June 30, 2014
Cash flow from operating activities:		
Net income	(28,083)	(25,113)
Elimination of financial elements	882	566
Elimination of non-cash items		
Income from equity consolidated affiliates	598	755
Changes in provisions	8,933	252
Depreciation and amortization of tangible and intangible assets	1 489	1,499
Payment in shares	231	360
Others	6	2
Net cash generated from / (used in) operating activities before change in working capital and other operating cash flow:	(15 944)	(21,679)
Change in operating working capital:		
Receivables	(202)	60
Inventories	12	(201)
Research tax credit	(4,487)	(4,959)
Other current assets	311	324
Trade payables	(169)	3,489
Prepaid income	376	(439)
Employee benefits	293	(423)
Other current liabilities	(2)	7
Net cash generated from / (used in) operating activities:	(19,812)	(23,821)
Cash flow from investing activities :		
(Acquisition) / disposal of property, plant and equipment	(578)	(831)
(Acquisition) / disposal of intangible assets	(4)	(97)
Other (Acquisitions) / disposals	355	2,553
Net cash generated from / (used in) investing activities:	(227)	1,625
Cash flow from financing activities		
Net cash interest	(443)	-
Gross proceeds from issuance of share capital	111	65,654
Fees paid in relation to capital increase	-	(2,922)
Conditional subsidies	-	775
(Acquisition) / disposal of other financial assets	13,246	(45,813)
Research tax credit financing	7,975	7,967
Repayment of finance lease liabilities	(543)	(254)
Net cash generated from / (used in) financing activities:	20,346	25,407
Effect of changes in exchange rates on cash and cash equivalents	13	(1)
Net increase/ (decrease) in cash and cash equivalents:	320	3,210
Cash and cash equivalents at beginning of period	3,513	5,138
Cash and cash equivalents at end of period:	3,833	8,348
Investments in other financial assets	49,175	87,818
Cash, cash equivalents and other financial assets:	53,008	96,166