INTERIM FINANCIAL REPORT
JUNE 30, 2015

transgene

1. 2015 interim consolidated financial statements
2. Financial highlights and management discussion and analysis
3. Statutory auditors' limited review report on the 2015 interim consolidated financial statements
4. Declaration by the person responsible for this interim financial report

2015 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INTERIM BALANCE SHEET, IFRS (in thousands of euros)

ASSETS	NOTE	06/30/2015	12/31/2014
CURRENT ASSETS:			
Cash and cash equivalents	2	3,833	3,513
Other current financial assets	2	49,175	62,422
Cash, cash equivalents and other financial assets:	**2**	**53,008**	**65,935**
Trade receivables		1,397	1,540
Inventories		1,137	1,149
Other current assets	3	18,521	10,614
Assets held for sale	4	3,500	-
TOTAL CURRENT ASSETS		**77,563**	79,238
NON-CURRENT ASSETS:			
Property, plant and equipment	5	16,693	23,641
Intangible assets	6	643	1,056
Non-current financial assets	7	4,994	3,852
Equity consolidated affiliates	7	1,722	2,320
Other non-current assets	8	26,699	30,846
TOTAL NON-CURRENT ASSETS		50,751	61,715
TOTAL ASSETS		**128,314**	**140,953**

LIABILITIES AND EQUITY	NOTE	06/30/2015	12/31/2014
CURRENT LIABILITIES:			
Trade payables		8,123	8,296
Financial liabilities	9	17,253	8,992
Provision for risks		7,412	127
Other current liabilities	10	4,814	4,148
TOTAL CURRENT LIABILITIES		37,602	21,563
NON-CURRENT LIABILITIES:			
Financial liabilities	9	43,442	43,199
Employee benefits	11	3,056	4,352
Other non-current liabilities	10	-	-
TOTAL NON-CURRENT LIABILITIES		46,498	47,551
TOTAL LIABILITIES		**84,100**	**69,114**
EQUITY:			
Capital	12	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)

	NOTE	06/30/2015	06/30/2014
Revenue from collaborative and licensing agreements	13	777	1,086
Government financing for research expenditure	13	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	14	(5,536)	(197)
NET OPERATING EXPENSES		(25,434)	(25,886)
OPERATING INCOME / (LOSS) FROM CONTINUING OPERATIONS		(20,179)	(19,812)
Interest income/(expense), net	15	(882)	(566)
Income from equity consolidated affiliates	7	(598)	(755)
INCOME / (LOSS) BEFORE TAX		(21,659)	(21,133)
Income tax expense	16	-	-
NET INCOME / (LOSS) FROM CONTINUING OPERATIONS		(21,659)	(21,133)
NET INCOME / (LOSS) FROM DISCONTINUED OPERATIONS	1.4,4	(6,424)	(3,980)
NET INCOME/(LOSS)		(28,083)	(25,113)
Net income per share (€)	12	(0.73)	(0.65)
Diluted earnings per share (€)	12	(0.73)	(0.65)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS (in thousands of euros)

	06/30/2015	06/30/2014
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:	-	-

INTERIM STATEMENT OF CASH FLOWS, IFRS

(in thousands of euros)

	NOTE	06/30/2015	06/30/2014
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	5, 6, 7	1,489	1,499
Payment in shares	17.2	231	360
Others	14	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	21	(202)	60
Inventories		12	(201)
Research tax credit	13.2	(4,487)	(4,959)
Other current assets	3	311	324
Trade payables	21	(169)	3,489
Prepaid income	10	376	(439)
Employee benefits	11	293	(423)
Other current liabilities	10	(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	5	(578)	(831)
(Acquisition) / disposal of intangible assets	6	(4)	(97)
Other (Acquisitions) / disposals	7	355	2,553
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES:		(227)	1,625
CASH FLOW FROM FINANCING ACTIVITIES			
Net cash interest	15	(443)	-
Gross proceeds from issuance of share capital	15	111	65,654
Fees paid in relation to capital increase		-	(2,922)
Conditional subsidies	9.2	-	775
(Acquisition) / disposal of other financial assets	2	13,246	(45,813)
Research tax credit financing	9	7,975	7,967
Repayment of finance lease liabilities	9	(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

STATEMENT OF CHANGES IN EQUITY, IFRS (in thousands of euros)

	COMMON SHARES						
	NUMBER OF SHARES	CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	OTHER COMPRE-HENSIVE INCOME	NET GAIN/ (LOSS) FOR THE PERIOD	CLOSING BALANCE NET WORTH
AT JUNE 30, 2014	38,444,670	87,965	476,083	(442,707)	(1,744)	(25,113)	94,484
Payment in shares	83,298	191	262	-	-	-	453
Issue of shares	-	-	(89)	-	-	-	(89)
Net gain/(loss) for the period	-	-	-	-	-	(23,443)	(23,443)
Change in fair value of marketable securities available-for-sale	-	-	-	-	19	-	19
Actuarial gains/losses on employee benefit provision	-	-	-	-	459	-	459
Cash flow hedging	-	-	-	-	(43)	-	(43)
AT DECEMBER 31, 2014	38,527,968	88,156	476,256	(442,707)	(1,309)	(48,556)	71,840
Payment in shares	17,429	40	302	-	-	-	342
Issue of shares	-	-	-	-	-	-	-
Net profit/(loss) appropriation 2014	-	-	-	(48,556)	-	48,556	-
Net gain/(loss) for the period	-	-	-	-	-	(28,083)	(28,083)
Change in fair value of marketable securities available-for-sale	-	-	-	-	13	-	13
Cash flow hedging	-	-	-	-	102	-	102
COMPREHENSIVE INCOME (LOSS)	-	-	-	-	**115**	**(28,083)**	**(27,968)**
AT JUNE 30, 2015	38,545,397	88,196	476,558	(491,263)	(1,194)	(28,083)	44,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOREWORD

Transgene's (the "Group") consolidated financial statements as of June 30, 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). They were prepared under the responsibility of the Chairman and Chief Executive Officer.

The financial information for the period ended June 30, 2015 includes:
- the balance sheet and statement of comprehensive income (including the income statement);
- the statement of cash flows;
- the statement of changes in equity;
- the notes to the financial statements.

NOTE 1 ACCOUNTING PRINCIPLES

ACCOUNTING STANDARDS

The Group's interim financial statements for the six months ended June 30, 2015 were prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. As interim financial statements, they do not include all the information required under IFRS and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2014, presented in the "Document de référence" submitted to the *Autorité des Marchés Financiers* (AMF) on April 28, 2015.

Accounting principles used to prepare the interim consolidated financial statements are in accordance with IFRS standards and interpretations as adopted by the EU as of June 30, 2015 and are available on the website http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

NEW STANDARDS/AMENDMENTS APPLICABLE IN EUROPE FOR ACCOUNTING PERIODS STARTING JANUARY 1, 2015 OR AFTER:

STANDARD/INTERPRETATION	PLANNED DATE OF APPLICATION BY IASB (periods beginning on or after)	DATE OF EU APPLICATION (open fiscal periods starting)
IFRIC 21 - Levies	January 1, 2014	June 17, 2014
Improvements to IFRS (2011-2013)		
IFRS 3 - Business Combinations - Scope Exception for Joint Ventures	July 1, 2014	January 1, 2015
IFRS 13 scope of paragraph 52 (portfolio exception)	July 1, 2014	January 1, 2015
IAS 40 - Investment Property - to clarify the interrelationship of IFRS 3 with IAS 30 when classifying property as investment property or owner-occupied property	July 1, 2014	January 1, 2015

OTHER STANDARDS/AMENDMENTS ISSUED AT JUNE 30, 2015:

STANDARD/INTERPRETATION	PLANNED DATE OF APPLICATION BY IASB (periods beginning on or after)	DATE OF EU APPLICATION (open fiscal periods starting)
IFRS 9 - Financial Instruments	January 1, 2018	Endorsement expected in Q2 2015
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	July 1, 2014	February 1, 2015
Improvements to IFRS (2010-2012)		
IFRS 2 - Definition of vesting conditions	Application to plans whose grant date is subsequent to July 1, 2014	February 1, 2015
IFRS 3 - Business Combinations - Accounting for contingent consideration in a business combination	Application to business combinations subsequent to July 1, 2014	February 1, 2015
IFRS 8 - Operating Segments - Aggregation of operating segments	July 1, 2014	February 1, 2015
IFRS 8 - Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets	July 1, 2014	February 1, 2015
IFRS 13 - Fair Value Measurement - Short term receivables and payables	n/a	
IAS 16 - Property, Plant and Equipment - Revaluation method - Proportionate restatement of accumulated depreciation/ amortization	July 1, 2014	February 1, 2015
IAS 24 - Related Party Disclosures - Key management personnel	July 1, 2014	February 1, 2015
IAS 38 - Property, Plant and Equipment - Revaluation method - Proportionate restatement of accumulated depreciation/ amortization	July 1, 2014	February 1, 2015
Amendments to IFRS 11: Accounting for acquisition of interests in Joint Operations	January 1, 2016	Endorsement expected in Q4 2015
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization	January 1, 2016	Endorsement expected in Q4 2015
IFRS 15 - Revenue from contracts with customers	January 1, 2017	Endorsement expected in Q3 2015
Agriculture: bearer plants	January 1, 2016	Endorsement expected in Q4 2015
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Amendment expected on January 1, 2016	Pending amendment from IASB
Annual improvements to IFRS (2012-2014)		Endorsement expected in Q4 2015
IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations	Changes occurring in financial years beginning after January 1, 2016	
IFRS 7 - Financial Instruments: Disclosures	January 1, 2016	
IAS 19 - Employee benefits	January 1, 2016	
IAS 34 - Interim Financial Reporting	January 1, 2016	
Amendments to IAS 1 - Disclosure initiative	January 1, 2016	Endorsement expected in Q4 2015
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception	January 1, 2016	Endorsement expected in Q1 2016

The impact of the application of these standards and amendments after January 1, 2015, in particular IFRIC21, is not significant.

1.1 ■ BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The interim consolidated financial statements were prepared according to the general IFRS principles: a fair presentation, operational continuity, the commitment accounting method, permanence of presentation, relative importance and aggregation. They were prepared using the historical cost convention, except for available-for-sale financial assets, which are measured at fair value.

As condensed interim financial statements, they do not incorporate all of the disclosures required in full financial statements and should thus be read in conjunction with the consolidated financial statements for the year ended December 31, 2014, as described in Chapter 4.1 of the French language Document de référence submitted to the *Autorité des Marchés Financiers* (AMF) on April 28, 2015.

To prepare interim financial statements in accordance with IFRS, Transgene's management has made estimates and assumptions concerning, in particular, provisional estimates and deferred tax assets, which may affect reported amounts of assets, liabilities, income and expenses. Actual results may differ significantly 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 period end, these assets are reviewed to determine whether there is any indication that they may be impaired. If any such indication exists, an asset recoverable amount is calculated. The same process applies to assets that are required to be tested for impairment each year. 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 for an individual asset, unless the asset generates cash inflows that are largely independent of other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, it is considered to be impaired and is written down to its recoverable amount. If this is the case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The value in use corresponds to the estimated future cash flows expected to be derived from the asset, discounted at a pre-tax rate that reflects current market expectations of the time value of money and the specific risks associated with the asset.

1.2 ■ BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Transgene SA, as well as Transgene, Inc. and Transgene Biopharmaceuticals Technology (Shanghai) Co. Ltd. ("Transgene Shanghai"), wholly owned subsidiaries headquartered respectively in Cambridge, Massachusetts (United States) and Shanghai (China). These companies are fully consolidated.

Transgene SA owns 23.72%, 8.19% and 50% of Elsalys Biotech SAS, Platine Pharma Services SAS and Transgene Tasly (Tianjin) Biopharmaceutical Co. Ltd., respectively, and these equity investments are consolidated through equity accounting.

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

1.3 PRESENTATION OF THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement is presented by function (research and development expenses and general and administrative expenses). The following tables detail these expenses by type.

1.3.1 RESEARCH AND DEVELOPMENT EXPENSES

IN MILLIONS OF EUROS	06/30/2015	06/30/2014	CHANGE
Employee benefits expenses	7.5	8.0	-6%
Payment in shares	0.2	0.3	-33%
Expenses for intellectual property and licensing	0.8	0.8	NS
External expenses for clinical projects	1.4	4.8	-71%
External expenses for other projects	2.7	3.5	-22%
Operating expenses	3.3	3.4	-2%
Depreciation, amortization and provisions	1.0	1.0	NS
RESEARCH AND DEVELOPMENT EXPENSES	16.9	21.8	-22%

1.3.2 GENERAL AND ADMINISTRATIVE EXPENSES

IN MILLIONS OF EUROS	06/30/2015	06/30/2014	CHANGE
Employee benefits expenses	1.2	1.8	-32%
Payment in shares	0.1	0.1	NS
Professional and management fees	1.1	1.2	-8%
Other overhead costs	0.5	0.6	-17%
Depreciation, amortization and provisions	-	0.1	-96%
GENERAL AND ADMINISTRATIVE EXPENSES	2.9	3.8	-24%

1.4 HELD FOR SALE ASSETS AND DISCONTINUED OPERATIONS

IFRS 5 «Non-current Assets Held for Sale and Discontinued Operations» outlines how to account for assets held for sale and how to present discontinued operations.

A non-current asset or group of directly associated assets and liabilities are viewed as being held for sale when its carrying amount will be mostly recovered through a sale. To meet this definition, the asset must be available for immediate sale and its sale highly probable. These assets or disposal groups that are classified as held for sale are measured at the lower of the carrying amount and the estimated market price.

A discontinued operation is a major line of business for the Group that either has been disposed of or is classified as held for sale. Income statement items related to discontinued operations are separately presented in the consolidated financial statements for all periods reported.

1.5 RESTRUCTURING PROVISION

In accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, the recognition criteria for restructuring provisions are (i) the company has an obligation to a third party on the balance sheet date, (ii) it is probable (more likely than not) that a liability was made and (iii) the liability can be estimated reliably.

To meet these criteria, the restructuring provision is recognized, as of the closing date of the financial statements, once it is determined that Management has approved and announced the restructuring planto the employees by specifically identifying the measures to be made (number of employees involved, their employment grade, their position and location), as well as the forecast financial indemnities. Moreover, the timetable to complete the restructuring must be relatively short (within one year).

The restructuring provision and restructuring costs relate mainly to redundancy payments, notice time not worked, training costs for non retained employees, as well as any compensation to assist the employees impacted by the reorganization in finding new employment.

NOTE 2 CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

IN THOUSANDS OF EUROS	06/30/2015	12/31/2014
Cash	559	638
Marketable securities	3,274	2,875
CASH AND CASH EQUIVALENTS	**3,833**	**3,513**
Other current financial assets	49,175	62,422
TOTAL	53,008	65,935
Impact recognized in financial income/(expense) of applying the fair value option:	0.3	0.5

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

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

NOTE 3 OTHER CURRENT ASSETS

IN THOUSANDS OF EUROS	06/30/2015	12/31/2014
Research tax credit, current portion	15,844	7,555
Government – recoverable VAT and tax receivables	633	879
Accrued credit notes	39	115
Employee benefits expense	2	44
Accrued subsidies	-	941
Prepaid expenses, current portion	1,009	1,080
Other receivables	994	-
TOTAL	18,521	10,614

The current portion of the research tax credits relates to the 2011 and 2012 receivables (see Note 8). It is expected that the French government will reimburse the 2011 research tax credit (€7,894 thousand) during the second half of 2015.

NOTE 4 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Pursuant to the Company's restructuring plan submitted to the works council at the end of June 2015, Transgene has decided to focus on its core business and discontinue its manufacturing activities located in Illkirch. It is expected that this manufacturing site will be sold to a third party, which will continue to manufacture clinical batches for Transgene.

At June 30, 2015, the assets held for sale corresponded to the estimated market value of the tangible and intangible assets at the Illkirch manufacturing site and amounted to €3,500 thousand. (See Notes 1.4, 5 and 6).

At June 30, 2015, the portion of income related to discontinued operations was as follows:

IN THOUSANDS OF EUROS	06/30/2015	06/30/2014	CHANGE
REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS	104	205	-49%
Employee benefits expenses	(1,667)	(1,865)	-11%
External expenses for other projects	(68)	(180)	-62%
Operating expenses	(1,425)	(1,642)	-13%
Depreciation expense			
for tangible assets	(387)	(460)	-16%
for intangible assets	(38)	(38)	NS
Research and development expenses	(3,585)	(4,185)	-14%
Depreciation for held for sale asssets	(2,943)	-	-
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS	(6,424)	(3,980)	-13%

NOTE 5 TANGIBLE ASSETS

IN THOUSANDS OF EUROS	12/31/2014	Increase	Decrease	Reclassification	06/30/2015
ACQUISITION COSTS					
Buildings under finance leases	19,653	-	-	-	19,653
Land, buildings and fixtures	8,075	19	-	(7,294)	800
Laboratory equipment	17,605	712	(102)	(8,607)	9,608
Vehicles, office and computer equipment	2,244	18	(51)	(487)	1,724
Assets in progress	638	431	(606)	-	463
TOTAL	48,215	1,180	(759)	(16,388)	32,248
DEPRECIATION AND PROVISIONS					
Buildings under finance leases	(8,739)	(467)	-	461	(8,745)
Land, buildings and fixtures	(3,196)	(149)	-	3,302	(43)
Laboratory equipment	(11,103)	(564)	98	6,022	(5,547)
Vehicles, office and computer equipment	(1,536)	(101)	49	368	(1,220)
TOTAL	(24,574)	(1,281)	147	10,153	(15,555)
NET TOTAL	23,641	(101)	(612)	(6,235)	16,693

Net tangible assets reclassified as assets held for sale amounted to €6,235 thousand (see note 4).

Depreciation expense for property, plant and equipment reported in Transgene's income statement was as follows:

IN THOUSANDS OF EUROS	06/30/2015	06/30/2014
Research and development expenses	864	816
General and administrative expenses	29	29
TOTAL DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT	893	845

NOTE 6 INTANGIBLE ASSETS

IN THOUSANDS OF EUROS	12/31/2014	Increase	Decrease	Reclassification	06/30/2015
ACQUISITION COSTS					
Intangible assets	4,089	155	-	(440)	3,804
Intangible assets in process	161	31	(182)	-	10
TOTAL	4,250	186	(182)	(440)	3,814
Depreciation and amortization of intangible assets	(3,194)	(210)	1	232	(3,171)
TOTAL	(3,194)	(210)	1	232	(3,171)
NET TOTAL	1,056	(24)	(181)	(208)	643

Net intangible assets reclassified as assets held for sale amounted to €208 thousand. (See Note 4).

Depreciation expense forintangible assets reported in Transgene's income statement was as follows:

IN THOUSANDS OF EUROS	06/30/2015	06/30/2014
Research and development expenses	157	154
General and administrative expenses	15	12
TOTAL AMORTIZATION AND DEPRECIATION OF INTANGIBLE ASSETS	172	166

NOTE 7 FINANCIAL ASSETS

7.1 ■ NON-CURRENT FINANCIAL ASSETS

IN THOUSANDS OF EUROS	12/31/2014	Increase	Decrease	06/30/2015
Non-current financial assets	3,029	892	(9)	3,912
Advances to affiliates	918	259	-	1,177
Equity securities	29	-	-	29
GROSS TOTAL	3,976	1,151	(9)	5,118
Provisions for impairment	(124)	-	-	(124)
TOTAL	(124)	-	-	(124)
NET TOTAL	3,852	1,151	(9)	4,994

The increase in non-current financial assets related mainly to the retention of the bank financing guarantee for the 2014 research tax credit (€886 thousand). (See Note 9.2).

The increase in advances to affiliates corresponded to an advance on the current account granted to Elsalys Biotech SAS (€259 thousand).

7.2 ■ EQUITY CONSOLIDATED AFFILIATES

The table below shows the gross amounts (acquisition costs), the impairment provisions and the share of profit (loss) of associates:

IN THOUSANDS OF EUROS	12/31/2014	Increase	Decrease	06/30/2015
Transgene Tasly (Tianjin) Biopharmaceuticals Co. Ltd.	3,976	-	-	3,976
Platine Pharma Services SAS	294	-	-	294
Elsalys Biotech SAS	501	-	-	501
TOTAL ACQUISITION COSTS	4,771	-	-	4,771
Share of profit/(loss) of Transgene Tasly (Tianjin) Bio-pharmaceutical Co. Ltd.	(1,656)	-	(598)	(2,254)
Share of profit/(loss) of Platine Pharma Services SAS	(294)	-	-	(294)
Share of profit/(loss) of Elsalys Biotech SAS	(501)	-	-	(501)
TOTAL IMPAIRMENT AND SHARE OF PROFIT/(LOSS) ATTRIBUTABLE TO TRANSGENE	(2,451)	-	(598)	(3,049)
Transgene Tasly (Tianjin) Biopharmaceuticals Co. Ltd.	2,320	-	(598)	1,722
Platine Pharma Services SAS	-	-	-	-
Elsalys Biotech SAS	-	-	-	-
NET TOTAL	2,320	-	(598)	1,722

NOTE 8 OTHER NON-CURRENT ASSETS

IN THOUSANDS OF EUROS	06/30/2015	12/31/2014
Research tax credit, non-current portion	21,984	25,924
Competitiveness and employment tax credit, non-current portion	623	485
Prepaid expenses, non-current portion	61	59
Receivables from the sale of participating interests	4,031	4,378
OTHER NON-CURRENT ASSETS	26,699	30,846

■ RESEARCH TAX CREDIT (RTC) AND TAX CREDIT FOR COMPETITIVENESS AND EMPLOYMENT (CICE)

The Company had receivables amounting to €37,828 thousand in research tax credits for 2011, 2012, 2013, 2014 and the first half of 2015 and €623 thousand in tax credits for competitiveness and employment for 2013, 2014 and the first half of 2015. This amount can be used to offset corporate income tax payments. If it is not used for such purpose, the Group may ask to be reimbursed in cash per the schedule below, in accordance with the tax regulations in effect (in € thousands):

REFERENCE YEAR	YEAR OF EXPECTED REIMBURSEMENT	06/30/2015	12/31/2014
CURRENT PORTION			
2011	2015	7,894	7,894
Tax adjustment	2015	(339)	(339)
2012	2016	8,289	-
TOTAL CURRENT PORTION		15,844	7,555
NON-CURRENT PORTION			
2012	2016	-	8,289
2013	2017	8,852	8,852
2014	2018	8,943	8,783
June 30, 2015	2019	4,189	-
TOTAL NON-CURRENT PORTION		21,984	25,924
	RTC TOTAL	37,828	33,479

REFERENCE YEAR	YEAR OF EXPECTED REIMBURSEMENT	06/30/2015	12/31/2014
NON-CURRENT PORTION			
2013	2017	210	210
2014	2018	275	275
June 30, 2015	2019	138	-
TOTAL NON-CURRENT PORTION		623	485
CICE TOTAL		623	485

RECEIVABLES FROM THE SALE OF PARTICIPATING INTERESTS

The receivable from the sale of participating interests of €4,031 thousand corresponds to 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 2020. These future cash flows were discounted and the probability of their occurrence estimated. The discount rate for future cash flow was calculated using the weighted average cost of capital (WACC), which is based on a market-comparable approach. A 1-point increase in the WACC would have a negative impact of approximately 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 9 FINANCIAL LIABILITIES

The following table breaks down financial liabilities by maturity:

IN THOUSANDS OF EUROS	06/30/2015	12/31/2014
Financial liabilities, current portion	17,253	8,992
Financial liabilities, non-current portion	43,442	43,199
FINANCIAL LIABILITIES	60,695	52,191

9.1 ■ FINANCIAL LIABILITIES, CURRENT PORTION

IN THOUSANDS OF EUROS	06/30/2015	12/31/2014
Property lease (see Note 9.2)	960	942
Equipment leases	156	156
Financing of 2011 and 2012 research tax credits (see Note 9.2)	16,137	7,894
FINANCIAL LIABILITIES – CURRENT PORTION	17,253	8,992

9.2 ■ FINANCIAL LIABILITIES, NON-CURRENT PORTION

IN THOUSANDS OF EUROS	06/30/2015	12/31/2014
Property lease	8,774	9,259
Equipment leases	255	332
Interest rate swap - fair value (see Note 22)	557	659
Conditional advances	15,613	15,324
Financing of 2013 and 2014 research tax credits	17,713	17,095
Financing of 2013 and 2014 CICE	530	530
FINANCIAL LIABILITIES – NON-CURRENT PORTION	43,442	43,199

PROPERTY LEASE

	06/30/2015		12/31/2014	
	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS
Due within one year	1,068	1,039	1,056	1,037
Due in one to five years	4,582	4,251	4,520	4,233
Total future minimum lease payments	10,290	9,272	10,817	9,789
Finance costs included in total	556	508	617	575
Outstanding capital:	9,734	8,757	10,200	9,214
- of which current	*960*	*934*	*941*	*924*
- of which non-current	*8,774*	*7,823*	*9,259*	*8,290*

CONDITIONAL ADVANCES

At June 30, 2015, conditional advances of €15,613 thousand related to the repayable advances received under the ADNA (Advanced Diagnostics for New Therapeutic Approaches) program, which receives public funding from Bpifrance.

The Group may receive up to €2.6 million in additional repayable advances over the remaining term of the ADNA program, i.e., up to 2017.

FINANCING OF RTC AND CICE

The table below breaks down the components of the bank financing of receivables for the Company's RTC (Research tax credit) and CICE (Tax credit for competitiveness and employment).

			ASSETS						LIABILITIES	
			RECEIVABLES *OTHER ASSETS*		SECURITY DEPOSIT	PRE-PAID INTEREST *OTHER ASSETS*		TOTAL	FUNDING *PFINANCIAL LIABILITIES*	
RTC Year	**Gross Amount**	Bank financing	Current portion	Non-current portion	*Non-current financial assets*	Current portion	Non-current portion	**Assets**	Current portion	Non-current portion
2011	**7,894**	Yes	7,894	-	789	155	39	**8,877**	7,894	-
2012	**8,288**	Yes	8,288	-	824	-	-	**9,112**	8,243	-
2013	**8,852**	Yes	-	8,852	885	-	-	**9,737**	-	8,852
2014	**8,943**	Yes	-	8,943	886	-	-	**9,829**	-	8,861
2015	**4,190**	-	-	4,189	-	-	-	**4,189**	-	-
TOTAL	38,167	-	16,182	21,984	3,384	155	39	41,744	16,137	17,713
CICE 2013	**210**	Yes	-	210	10	-	220	**-**	-	210
CICE 2014	**275**	Yes	-	275	48	-	323	**-**	-	320
TOTAL CICE	485	-	-	485	58	-	543	-	-	530

NOTE 10 OTHER LIABILITIES

OTHER CURRENT LIABILITIES

IN THOUSANDS OF EUROS	06/30/2015	12/31/2014
Accrued taxes, employee benefit expense and other	4,244	3,951
Prepaid income, of which:	486	111
Grants	*30*	*81*
Other	*456*	*30*
Other short-term payables	84	86
TOTAL	4,814	4,148

NOTE 11 EMPLOYEE BENEFITS

11.1 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

In accordance with French law, Transgene participates in funding the pension of its employees in France through contributions, calculated on the basis of wages, to the relevant entities that manage the pension plans. 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.

Transgene is also liable for a statutory lump-sum retirement benefit payment made to employees in France. The amount of the benefit is based on the employee's length of service and final salary and is due only if the employee is still on the Group's payroll at the time of retirement. The assumptions used to calculate these provisions for retirement are as follows:

	06/30/2015 *	06/30/2014
Discount rate	2.25%	3.00%
Rate of future salary increases	2.00%	2.50%
Retirement age:		
• Managers:	65 years	62 years
• Non-managers:	63 years	62 years

* Discount rate at June 30, 2015 is identical to discount rate at December 31, 2014.

11.2 INCENTIVE PROGRAM LINKED TO THE INCREASE IN THE COMPANY'S VALUATION

In 2014, Transgene introduced a new incentive program linked to the increase in the Company's valuation. Executive managers may participate in this plan, which provides for an additional bonus based on the Company's five-year share price performance. At June 30, 2015 a provision of €75 thousand related to this program was made on the Company's balance sheet.

NOTE 12 EQUITY

12.1 CAPITAL

At June 30, 2015, Transgene had 38,545,397 shares outstanding representing a share capital of €88,195,793.51.

12.2 BASIC LOSS PER SHARE

The following table reconciles basic and diluted earnings per share. The number of shares is calculated on a prorated basis.

	30/06/2015	30/06/2014
BASIC LOSS PER SHARE		
Available net profit attributable to equity holders of the Group (in thousands of euros)	(28,083)	(25,113)
Average number of shares outstanding	38,545,397	38,444,670
BASIC EARNINGS PER SHARE (IN €)	**(0.73)**	**(0.65)**
DILUTED EARNINGS PER SHARE (IN €)	**(0.73)**	**(0.65)**

In the first half of 2015 and 2014, financial instruments granting the right to deferred capital (stock options and free shares) were considered anti-dilutive since they led to an increase in net earnings per share (decrease in the loss per share) from continuing operations. Therefore, diluted earnings per share for the first half of 2015 and of 2014 were identical to basic earnings per share.

12.3 STOCK OPTION PLANS

Transgene did not grant any new stock options during the first half of 2015. The number of options outstanding at December 31, 2014 amounted to 1,188,097, of which 886,231 were exercisable. No material change has occurred since this date.

The cost of services rendered is recognized as an expense over the vesting period. The expense was €196 thousand in the first half of 2015 and €210 thousand in the first half of 2014.

12.4 FREE SHARE PLANS

Transgene did not grant any new free shares during the first half of 2015.

As of December 31, 2014, there were 42,590 free shares awarded and 81,750 were vested to the beneficiaries in 2014. No material change has occurred since this date.

The cost of services rendered is recognized as an expense over the vesting period. The expense was €35 thousand in the first half of 2015 and €150 thousand in the first half of 2014.

NOTE 13 REVENUE

13.1 REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

IN THOUSANDS OF EUROS	06/30/2015	06/30/2014
Revenue from manufacturing and research and development collaborations	518	592
License fees and royalties	259	494
TOTAL	777	1,086

13.2 PUBLIC FUNDING FOR RESEARCH EXPENSES

IN THOUSANDS OF EUROS	06/30/2015	06/30/2014
Research and development grants	170	195
Research tax credits, net	4,308	4,793
TOTAL	4,478	4,988

The gross research tax credit, excluding advisory fees, for the first half of 2015 was €4,190 thousand.

NOTE 14 OTHER OPERATING INCOME AND EXPENSES

IN THOUSANDS OF EUROS	06/30/2015	06/30/2014
Investment subsidies	-	8
Income from sale of fixed assets	-	6,817
Other income	355	120
TOTAL OTHER INCOME	355	6,945
Net carrying value of disposals of fixed assets	(6)	(7,048)
Restructuring provision, net	(5,885)	-
Other expenses	-	(94)
TOTAL OTHER EXPENSES	(5,891)	(7,142)
TOTAL	(5,536)	(197)

In the first half of 2015, Other expenses consisted mainly of the 2015 restructuring provision amounting to €5,885 thousand.

NOTE 15 INTEREST INCOME/(EXPENSE), NET

IN THOUSANDS OF EUROS	06/30/2015	06/30/2014
Investment income	18	105
Debt servicing costs	(284)	(370)
NET INTEREST INCOME	(266)	(265)
Other financial income/(expense)	(682)	(338)
Foreign exchange gains/(losses)	65	37
TOTAL	(616)	(301)
INTEREST INCOME/(EXPENSE), NET	(882)	(566)

NOTE 16 CORPORATE INCOME TAX

16.1 ■ CURRENT TAXES

Since the Group is in a tax loss position, it does not pay corporate income tax. The U.S. and Chinese subsidiaries did not recognize any current tax income or expense in 2015 or 2014.

16.2 ■ DEFERRED TAXES

No deferred tax assets were recognized at June 30, 2015, due to the uncertainty of taxable income being generated over the next three years.

NOTE 17 EMPLOYEE INFORMATION

17.1 ■ PERSONNEL

At June 30, 2015, the Group had 288 employees, including six employees at Transgene, Inc. and five at Transgene Shanghai. The Group had 296 employees at December 31, 2014.

AT JUNE 30, 2015	MEN	WOMEN	TOTAL
Managers	73	97	170
Other grades	25	93	118
TOTAL	98	190	288*

** Including 264 open-ended employment contracts at June 30, 2015*

17.2 ■ EMPLOYEE BENEFITS EXPENSES

Employee benefits expenses included in the Group's income statement (salaries, payroll taxes, pension costs and related expenses) were as follows:

IN THOUSANDS OF EUROS	06/30/2015	06/30/2014
Research and development expenses	7,714	8,381
General and administrative expenses	1,322	1,916
TOTAL EMPLOYEE BENEFITS EXPENSES	9,036	10,297

The expense related to share-based payment was:

IN THOUSANDS OF EUROS	06/30/2015	06/30/2014
Research and development expenses	155	271
General and administrative expenses	76	89
TOTAL	231	360

NOTE 18 RELATED PARTIES

Transgene signed a cash pooling agreement with Institut Mérieux. The cash invested in Institut Mérieux's cash pooling agreement represented a receivable of €49,175 thousand at June 30, 2015. Interest income at June 30, 2015 was €7 thousand. The table below does not include these cash items.

	06/30/2015	
IN THOUSANDS OF EUROS	RECEIVABLES	PAYABLES
bioMérieux S.A.(1)	-	14
bioMérieux China	-	14
Institut Mérieux (2)	-	-
Advance Bioscience Laboratories, Inc. (3)	-	-
BioMérieux, Inc, (3)	-	149
Transgene Tasly(4)	33	-
Elsalys Biotech SAS(5)	1,008	10
Platine Pharma Services SAS	202	-
Mérieux Développement	6	-
TOTAL	1,249	187

IN THOUSANDS OF EUROS	REVENUE	EXPENSES
bioMérieux S.A.(1)	-	34
bioMérieux China	-	83
Institut Mérieux (2)	-	480
bioMérieux, Inc. (3)	-	1,179
Transgene Tasly (4)	65	-
Elsalys Biotech SAS (5)	64	24
Platine Pharma Services SAS	-	207
Thera conseil	-	-
Mérieux Développement	6	-
TOTAL	135	2,007

(1) Revenue related to research activities and expenses for the purchase of laboratory equipment and supplies.
(2) Expenses related to the agreement for services provided by Institut Mérieux.
(3) Expenses related to the service agreement, re-invoicing of staff and rent expense between Transgene, Inc. and BioMérieux, Inc.
(4) Revenue related to the service agreement and re-invoicing of staff expense between Transgene SA and Transgene Tasly BioPharmaceutical Co. ltd.
(5) Revenue related to the agreement for services provided by Transgene SA. Expenses included an agency contract between Elsalys Biotech and Transgene SA.

NOTE 19 OFF-BALANCE SHEET COMMITMENTS

Transgene did not enter into any material new off-balance sheet commitments during the first half of 2015.

However, Transgene has entered into agreements with subcontractors that could have an impact over several accounting periods. As of June 30, 2015, the Company estimated the current value of its financial commitments under these agreements to be approximately €15 million.

Pursuant to a subcontracting agreement for the production of viral vectors, the Group has made a commitment to partially finance a commercial production unit being built by the Sanofi group. As of June 30, 2015, Transgene had a €2.1 million remaining financial commitment.

NOTE 20 SEGMENT INFORMATION

The Group operates exclusively in the area of pharmaceutical research and development of therapeutic vaccines and immunotherapeutic products, none of which are currently on the market. The main partners with which it generated revenue in the first half of 2015 were Sillajen, Inc. and Emergent, Inc. The majority of its operations are located in France. The Company has therefore decided to prepare and present its financial statements as a single operating segment.

NOTE 21 BREAKDOWN OF ASSETS AND LIABILITIES BY MATURITY

JUNE 30, 2015

ASSETS (IN THOUSANDS OF EUROS)	GROSS AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR
Non-current financial assets	3,817	1,614	2,203
Trade receivables	1,397	1,397	-
Research tax credits, tax credit for competitiveness and employment	38,450	15,844	22,606
Government, VAT and other local authorities	633	633	-
Personnel and related accounts	2	2	-
Prepaid expenses	1,070	1,009	61
Accrued subsidies	-	-	-
Other receivables	39	39	-
Receivables from the sale of participating interests	4,032	2,763	1,269
TOTAL ASSETS	49,440	23,301	26,139

LIABILITIES (IN THOUSANDS OF EUROS)	GROSS AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR AND LESS THAN OR EQUAL TO 5 YEARS	MORE THAN FIVE YEARS
Conditional advances	15,612	-	180	15,432
Trade payables	8,123	8,123	-	-
Property leasing	9,734	960	4,252	4,522
Equipment leasing	411	156	255	-
Financing of RTC and CICE	34,380	16,137	18,243	-
Provisions for risks and liabilities	7,412	7,412	-	-
Provisions for retirement	2,981	25	687	2,269
Provision for profit-sharing	76	-	76	-
Accrued employee benefits and tax expense	4,243	4,243	-	-
Prepaid income	486	486	-	-
Other liabilities	641	84	-	557
TOTAL LIABILITIES	84,099	37,626	23,693	22,780

NOTE 22 EXCHANGE RATE HEDGING

Since the first half of 2009, the Group has partially hedged the interest rate risk related to the finance leasing of its administrative and research building located in Illkirch (See Note 9).

At June 30, 2015, the market value of this hedging instrument was less than €557 thousand.

NOTE 23 FINANCIAL INSTRUMENTS

The table below breaks down financial assets and liabilities according to the categories set out in IAS 39 (excluding receivables and accrued taxes and employee benefits) and compares the carrying values and fair values:

JUNE 30, 2015 IN THOUSANDS OF EUROS	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	ASSETS HELD FOR SALE	RECEIVABLES, PAYABLES, BORROWINGS, AT AMORTIZED COST	DERIVATIVE INSTRU-MENTS	CARRYING VALUE	FAIR VALUE	LEVEL
FINANCIAL ASSETS							
Cash and cash equivalents	3,833	-	-	-	3,833	3,833	1
Other current financial assets	49,175	-	-	-	49,175	49,175	2
Trade receivables	-	-	1,397	-	1,397	1,397	-
Non-current financial assets	-	-	*3,817*	-	*3,817*	*3,817*	-
Receivable on non-current financial assets	-	-	*1,177*	-	*1,177*	*1,177*	-
Non-current financial assets	-	-	4,994	-	4,994	4,994	2
Equity consolidated affiliates	-	-	1,722	-	1,722	1,722	2
Other non-current assets	4,032	-		-	4,032	4,032	3
TOTAL FINANCIAL ASSETS	57,040	-	8,113	-	65,153	65,153	

JUNE 30, 2015 IN THOUSANDS OF EUROS	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	ASSETS HELD FOR SALE	RECEIVABLES, PAYABLES, BORROWINGS, AT AMORTIZED COST	DERIVATIVE INSTRU-MENTS	CARRYING VALUE	FAIR VALUE	LEVEL
FINANCIAL LIABILITIES							
Bank loans, Long-term portion	-	-	18,243	-	18,243	18,243	2
Lease commitment, long-term portion	-	-	9,029	-	9,029	9,029	2
Conditional advances	-	-	15,612	-	15,612	15,612	2
Other non-current financial liabilities	-	-	-	557	557	557	2
NON-CURRENT FINANCIAL LIABILITIES	-	-	42,884	557	43,441	43,441	-
Bank loans, Current portion	-	-	16,137	-	16,137	16,137	2
Finance leasing, short-term portion	-	-	1,116	-	1,116	1,116	2
CURRENT FINANCIAL LIABILITIES	-	-	17,253	-	17,253	17,253	-
TRADE PAYABLES	-	-	8,123	-	8,123	8,123	-
TOTAL FINANCIAL LIABILITIES	-	-	68,260	557	68,817	68,817	

In accordance with IFRS 13, financial instruments are categorized in three levels according to a hierarchy of methods determining 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 prices);

• Level 3 inputs are calculated with reference to unobservable inputs.

NOTE 24 EVENTS AFTER THE REPORTING PERIOD

None

FINANCIAL HIGHLIGHTS AND MANAGEMENT DISCUSSION AND ANALYSIS

2.1 ■ KEY EVENTS SINCE JANUARY 1, 2015

In April 2015, Transgene reported that an agreement had been reached with the U.S. Food and Drug Administration (FDA) on a Special Protocol Assessment (SPA) for a global Phase 3 clinical trial with the oncolytic immunotherapy, Pexa-Vec. The pivotal trial will evaluate the use of Pexa-Vec to treat patients with liver cancer, or hepatocellular carcinoma (HCC), who have not received sorafenib (Nexavar®) therapy.

In April 2015, Transgene presented new pre-clinical data for two of its programs – TG4010 and TG3003 – at the Annual Meeting of the American Association for Cancer Research (AACR) in Philadelphia, USA. New pre-clinical data supported potential combinations of TG4010 and immune checkpoint inhibitors. Data on the TG3003 anti-CD115 monoclonal antibody supported biological activity and a differentiated mode of action compared to other anti-CD115 antibodies in development. At the end of April 2015, Transgene announced that new pre-clinical data with TG1050, an immunotherapy being developed for the treatment of chronic hepatitis B, had been presented at the International Liver Congress™ 2015, the 50th Congress of the European Association for the Study of the Liver (EASL). The data presented demonstrated the antiviral potential of TG1050 in a persistent hepatitis B virus (HBV) in vivo model.

In June, 2015, Transgene presented new data from the Phase 2b part of the TIME trial with the TG4010 MUC1 targeted immunotherapy in non-small cell lung cancer (NSCLC) at the 2015 American Society of Clinical Oncology (ASCO) Annual Meeting in Chicago, USA. The more mature data confirmed the strength of previously reported improvements in progression-free survival and overall survival, particularly in patients with non-squamous tumors. In addition, patients treated with TG4010 plus chemotherapy demonstrated improved response rates and a longer median duration of response compared to the control group. Also of note, in a retrospective analysis of PD-L1 expression in patient tumor cells from the trial, strong activity was seen with TG4010 in patients having low levels (<5%) of tumor cells expressing PD-L1, which accounted for approximately 70% of patients in the TIME trial. PD-L1 (programmed death-ligand 1) is a protein that is believed to play a major role in suppressing the immune system and is an important target for cancer treatment.

At the end of June 2015, the Company informed the representatives of the works council of its intention to modify its vertical integration model and to implement a restructuring in order to maintain its competitiveness and to ensure a sustainable future. Transgene intends to focus resources on its core business of research and development by advancing its clinical portfolio, reorganizing its research model, and outsourcing bio-manufacturing and pharmaceutical development activities. The planned restructuring will lead to terminating industrial manufacturing and related support activities. Approximately 120 positions are expected to be lost, including in various support roles, for whom the Group plans to offer alternative employment opportunities.

2.2 ■ FINANCIAL RESULTS:

REVENUE:

The table below breaks down revenue from continuing operations for the first half of 2015 compared to the same period in 2014:

	FIRST HALF	
IN MILLIONS OF EUROS	2015	2014
Revenue from collaborative and licensing agreements	0.8	1.1
Government financing for research expenditure	4.5	5.0
REVENUE	5.3	6.1

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

- fees for conducting research and development activities for third parties (for example, Emergent Biosolutions, Inc. for the tuberculosis product candidate) amounting to €0.5 million in the first half of 2015 compared to €0.6 million for the same period in 2014;
- revenue on sales of technology or products licensed to others by Transgene amounting to €0.3 million in the first half of 2015 compared to €0.5 million in the same period in 2014.

For the first half of 2015, government financing for research expenditures consisted of subsidies received or accrued, as well a research tax credit. Research subsidies amounted to €0.2 million in the first half of 2015, unchanged compared to the same period in 2014. The research tax credit was €4.3 million in the first half of 2015 compared to €4.8 million for the same period in 2014. The research tax credit for the first half of 2015 was calculated on the eligible expenses as of June 30, 2015.

OPERATING EXPENSES:

Research and development (R&D) expenses for continuing operations amounted to €16.9 million in the first half of 2015 compared to €21.8 million for the same period in 2014.

The table below breaks down research and development expenses by type:

IN MILLIONS OF EUROS	06/30/2015	06/30/2014	CHANGE
Employee benefits expenses	7.5	8.0	-6%
Payment in shares	0.2	0.3	-33%
Expenses for intellectual property and licensing	0.8	0.8	NS
External expenses for clinical projects	1.4	4.8	-71%
External expenses for other projects	2.7	3.5	-22%
Operating expenses	3.3	3.4	-2%
Depreciation, amortization and provisions	1.0	1.0	NS
RESEARCH AND DEVELOPMENT EXPENSES	16.9	21.8	-22%

Employee benefits expenses for R&D personnel (salaries and related charges and expenses, as well as share-based payments) amounted to €7.5 million in the first half of 2015 compared to €8.0 million for the same period in 2014. Intellectual property expenses and license costs amounted to €0.8 million in the first half of 2015, unchanged compared to the same period in 2014.

External expenses for clinical trials amounted to €1.4 million for the first half of 2015 compared to €4.8 million for the same period in 2014. This significant decrease of 71% can be mainly attributed to:

- the significant decrease in 2015 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 study and in the development costs for related companion diagnostic tests (€0.4 million in external expenses for this product in the first half of 2015 compared to €3.2 million for the same period in 2014);
- the end of the TRAVERSE study in 2014, a Phase 2b clinical trial with Pexa-Vec in the second-line treatment of advanced liver cancer (no external expenses for this product were incurred in the first half of 2015 compared to €1.1 million for the same period in 2014);
- on the other hand, preparations related to new clinical trials (Phase 3 with TG4010, Phase 3 with Pexa-Vec, Phase 1 with TG1050) amounted to €0.9 million in external expenses for the first half of 2015

.

Other external expenses, including expenditures for research and pre-clinical projects as well as for industrial projects, amounted to €2.7 million in the first half of 2015 compared to €3.5 million for the same period in 2014. Fewer regulatory toxicology studies and lower subcontracting expense for the manufacture of the TG1050 immunotherapeutic product accounted for the decrease in external expenses (€0.2 million in external expenses for the first half of 2015 compared to €1.0 million for the same period in 2014).

Operating expenses, including costs to operate research laboratories, amounted to €3.3 million in the first half of 2015 compared to €3.4 million for the same period in 2014.

General and administrative expenses amounted to €2.9 million in the first half of 2015 compared to €3.8 million for the same period in 2014.

The following table provides details on general and administrative expenses by type:

IN MILLIONS OF EUROS	06/30/2015	06/30/2014	CHANGE
Employee benefits expenses	1.2	1.8	-32%
Payment in shares	0.1	0.1	NS
Professional and management fees	1.1	1.2	-8%
Other overhead costs	0.5	0.6	-17%
Depreciation, amortization and provisions	0.0	0.1	-96%
GENERAL AND ADMINISTRATIVE EXPENSES	2.9	3.8	-24%

Employee benefits expenses, which amounted to €1.2 million in the first half of 2015 compared to €1.8 million for the same period in 2014, decreased mainly due to a staff decrease in financial and administrative support functions, a consequence of a reallocation of internal resources.

External expenses, including fees and management expenses, amounted to €1.1 million in the first half of 2015 compared to €1.2 million for the same period in 2014.

■ OTHER INCOME AND (EXPENSE), NET:

Other net expenses were €5.5 million in the first half of 2015 compared to €0.1 million for the same period in 2014.

The decision in June 2015 to restructure the Company resulted in a restructuring net provision of €5.9 million in the first half of 2015.

The disposal of Jennerex, Inc. securities resulted in a net expense of €0.2 million in the first half of 2014.

■ INTEREST INCOME (EXPENSE):

Net interest expense amounted to €0.9 million in the first half of 2015 compared to an expense of €0.6 million for the same period in 2014.

Financial income (investment income) was €18 thousand in the first half of 2015 compared to €0.1 million for the same period in 2014.

Interest expense mainly consisted of bank interest on the refinancing of the research tax credit of €0.2 million, discounting of advances received from Bpifrance under the ADNA program of €0.3 million, lease financing interest of €0.1 million and a decrease in Transgene's estimated interest in Sillajen subsequent to the disposal of Jennerex, Inc. shares of €0.4 million.

NET LOSS FROM CONTINUING OPERATIONS:

Net loss from continuing operations was €21.7 million in the first half of 2015 compared to €21.1 million for the same period in 2014 at constant scope of consolidation.

NET LOSS FROM DISCONTINUED OPERATIONS:

Net loss from discontinued manufacturing operations amounted to €6.4 million in the first half of 2015 compared to €4.0 million for the same period in 2014 at constant scope of consolidation. Net loss consisted of :

- €3.6 million in research and development expenses in the first half of 2015 compared to €4.2 million for the same period in 2014 ;

- €0.1 million in revenue from collaboration agreements in the first half of 2015 compared to €0.2 million for the same period in 2014 ;

- €2.9 million evaluation impact of assets held for sale measured at fair value compared to carrying amount.

NET COMPREHENSIVE INCOME/(LOSS):

Net comprehensive loss was €28.1 million for the first half of 2015, compared to €25.1 million at the same period in 2014.

Net loss per share was €0.73 for the first half of 2015, compared to €0.65 at the same period in 2014.

INVESTMENTS:

Investments in tangible and intangible assets (net of disposals) amounted to €0.4 million for the first half of 2015, compared to €0.9 million for the same period in 2014.

REPAYABLE LOANS AND ADVANCES:

In the first half of 2015, Transgene did not receive any repayable advances under the ADNA program, which receives public funding from Bpifrance. The Company will receive €0.9 million in the second half of 2015 under this program. A payment of €0.8 million was received in the first half of 2014.

In the first half of 2015, the Group refinanced its 2014 research tax credit of €8.9 million through a bank loan with Bpifrance maturing in mid-2018, the expected date of repayment by the French government.

LIQUIDITY AND CAPITAL RESOURCES:

Cash is invested in very short-term mutual funds or at market conditions in the cash pooling managed by Institut Mérieux, the majority shareholder of Transgene.

At June 30, 2015, Transgene had €53.0 million in cash and cash equivalents compared to €65.9 million at December 31, 2014.

NET CASH BURN:

Transgene's cash burn was €13.0 million in the first half of 2015 compared to €14.8 million for the same period in 2014 (excluding capital increases).

Transgene expects net cash burn of approximately €35-40 million for 2015.

2.3 RELATED PARTY TRANSACTIONS

This information is disclosed in Note 18 of the 2015 interim financial statements published herein.

2.4 EVENTS AFTER THE REPORTING PERIOD

None

STATUTORY AUDITORS' LIMITED REVIEW REPORT ON 2015 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DIAGNOSTIC REVISION CONSEIL
20, rue Garibaldi - 69006 Lyon

Commissaire aux Comptes
Membre de la compagnie régionale de Lyon

ERNST & YOUNG et Autres
Tour Oxygéne
10 -12 boulevard Marius Vivier Merle
69393 Lyon Cedex 03
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

Transgene
For the period from January 1 to June 30, 2015

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code («Code monétaire et financier»), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Transgene S.A., for the period from January 1 to June 30, 2015;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the chief executive officer. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Lyon, September 9, 2015

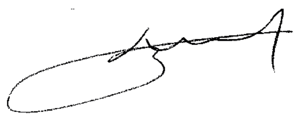
The statutory auditors - *French original signed by*

DIAGNOSTIC REVISION CONSEIL
Hubert de Rocquigny du Fayel

ERNST & YOUNG et Autres
Marc-André Audisio

DECLARATION BY THE PERSON RESPONSIBLE FOR THIS INTERIM FINANCIAL REPORT

I hereby declare, to the best of my knowledge, that the financial statements have been prepared in accordance with generally accepted accounting principles and give a true image of the assets, financial position and results of the Company, and that the interim financial report reflects the changes in the Group's turnover, results and financial position and of all of the entities included within the consolidation scope as well as a description of the principle risks and uncertainties for the six months to come.



Mr. Philippe Archinard
Chairman and Chief Executive Officer