Transgene Reports Third Quarter 2016 Financial Results

€25.4 million in Cash and Cash equivalents as of September 30, 2016

Strasbourg, France, October 20, 2016, 7:30 am CET – Transgene (Euronext Paris: TNG), a company focused on discovering and developing targeted immunotherapies for the treatment of cancer and infectious diseases, today published its quarterly financial results as of September 30, 2016. The Company also announced today the launch of a share capital increase with shareholders' preferential subscription rights for a total gross amount of c. €48.1 million.

Operating revenue:

The following table summarizes the third quarter operating revenue[1] for 2016 compared to the same period in 2015:

	Q3		First Nine Months	
In million euros	**2016**	**2015**	**2016**	**2015**
Revenue from collaborative and licensing agreements	0.1	0.4	2.0	1.1
Government financing for research expenditures	1.4	1.9	4.4	6.4
Operating revenue	**1.5**	**2.3**	**6.4**	**7.5**

During the third quarter of 2016, revenue from collaborative and licensing agreements was mainly composed of research services and royalties.

As of September 30, 2016, government financing for research expenditures mainly consisted of 75% of the research tax credit expected for 2016 (€4.4 million in the third quarter of 2016 versus €6.2 million over the same period in 2015). This decrease was due to lower eligible research and development expenses, explained by the restructuring of the Company.

Cash, cash equivalents, available-for-sale financial assets and other financial assets:

Cash, cash equivalents, available-for-sale financial assets and other financial assets stood at €25.4 million as of September 30, 2016, compared to €31.7 million as of December 31, 2015.
In the first nine months of 2016, Transgene's cash burn was €16.3 million (excluding EIB loan), compared to €19.8 million for the same period in 2015. Cash burn was €8.2 million in the first half of 2016 and €8.1 million in the third quarter of 2016.

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[1] *Excluding revenue from discontinued operations*

Net cash outflows linked to the restructuring plan amounted to €4.2 million over the period. Excluding the above disbursements, cash burn stood at €12.1 million in the first nine months of 2016, reflecting the positive effects of the reorganization plan.

Key achievements:

Since June 2016, Transgene continued rolling out its clinical development program, in line with the strategy aimed at combining Transgene's immunotherapies with other immunotherapy treatment approaches, in particular immune checkpoint inhibitors (ICIs).

The development programs have progressed as follows:

- Therapeutic vaccines:
  - TG4010: strategy focused on combination trials with ICIs in lung cancer. Two Phase 2 clinical trials are being prepared, in 1st and 2nd line of treatment of non-small cell lung cancer. The 2nd line clinical trial of TG4010 in combination with Opdivo® (nivolumab), conducted by UC Davis Medical Center (USA), is expected to start in H2 2016.
  - TG4001: Transgene signed an agreement with Merck KGaA, Darmstadt, Germany, and Pfizer, to evaluate TG4001 and Avelumab in HPV-positive, advanced head and neck cancers. This Phase 1/2 trial is expected to start in H1 2017.
  - TG1050: the Phase 1/1b clinical trial is moving forward with the recruitment of the first patients that will receive multiple doses of TG1050, a therapeutic vaccine against chronic hepatitis B. This step follows the positive recommendation of the Safety Review Committee in July 2016.
- Oncolytic viruses:
  - Pexa-Vec: ongoing recruitment and first patient in Europe expected at the very end of the year for this Phase 3 clinical trial in 1st line of hepatocellular carcinoma (HCC). Two Phase 2 clinical trials combining Pexa-Vec with ICIs are in preparation. Transgene confirms that a Phase 2 trial evaluating Pexa-Vec in combination with ipilimumab in solid tumors will start in H2 2016. The initiation of the Phase 2 trial of this oncolytic virus associated with nivolumab in advance primary liver cancer (HCC) is expected for H1 2017.
  - TG6002: preparation of the Phase 1 clinical trial in glioblastoma, expected to start in H1 2017.

Also, early October 2016, at the 10th International Meeting on Replicating Oncolytic Virus Therapeutics (Vancouver, Canada), Transgene presented a new generation of replicative oncolytic virus with improved cytotoxic activity in resistant tumor cell lines thanks to the vectorization of intrabodies. This original approach opens new possibilities for engineering the next generation of armed oncolytic viruses and confirms Transgene's innovation capabilities and unique R&D know-how.

Outlook:

Transgene confirms that it expects 2016 cash burn to be around €35 million.

The Company announced today the launch of a share capital increase with shareholders' preferential subscription rights. Institut Mérieux, Transgene's reference shareholder via its affiliate

TSGH, has committed to participate in this transaction and to subscribe up to 75% of the total number of the new shares, materializing its commitment, made at the beginning of the year, to bring additional funding to the Company.

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About Transgene

Transgene S.A. (Euronext: TNG), part of Institut Mérieux, is a publicly traded French biopharmaceutical company focused on discovering and developing 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, including TG4001. 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.

Forward-looking statements

This *press release contains certain forward-looking statements. 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. The occurrence of any of these risks could 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 Registration Document, which is available on the AMF website (www.amf-france.org) or on Transgene's website (www.transgene.fr).*

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