A French société anonyme (limited liability corporation) with a Board of Directors
and a share capital of €38,545,397
Registered office: 400 boulevard Gonthier d'Andernach – Parc d'Innovation
67400 Illkirch-Graffenstaden
Strasbourg Trade and Companies Register no. 317 540 581

UPDATE
TO THE 2015 *DOCUMENT DE RÉFÉRENCE*

This update to the *Document de référence* (the "**Update**") was filed with the ***Autorité des marchés financiers*** on October 19, 2016, in accordance with Article 212-13 of the General Regulation of the Autorité des marchés financiers (AMF). This update supplements the *Document de référence* filed with the *Autorité des marchés financiers* on April 28, 2016 under number D.16-0434 (the "***Document de référence***").

This *Document de référence* and its Update can be used in connection with an offering of securities if accompanied by a *Note d'opération* approved by the AMF. This document was prepared by the issuer and its signatory is responsible for its content.

Copies of the *Document de référence* of Transgene SA (the "**Company**" or the "**Group**") and the Update may be obtained free of charge from the registered office of the Company, 400 boulevard Gonthier d'Andernach - Parc d'Innovation, 67400 Illkirch-Graffenstaden, on the Company website (www.transgene.fr) or on the AMF website (www.amf-france.org).

NOTICE AND DISCLAIMER

In the Update, unless otherwise stated, the terms "Transgene", the "Company" and the "Group" refers to the group of companies comprising Transgene SA and its subsidiaries.

Forward-looking statements

The Update contains information on the Group's outlook and orientation. These statements are sometimes identified by the use of the future or conditional tense and forward-looking terms such as , "consider", "plan", "believe", "have as an objective", "expect", "intend", “believe”, "should", "aim to", "estimate", "hope", "could", in the affirmative or, where applicable, in the negative form thereof or any variation or similar terminology. This information can be found in the different sections of the Update and includes data relating to the Group's intentions, estimates and objectives, and in particular, the market in which it operates, its business strategy, growth, results, financial position, cash flow and its forecasts. Such information is not historical data and must not be interpreted as a guarantee that any projected facts and data will effectively occur. Such information is based on data, assumptions, and estimates that the Company deems reasonable. Such information is subject to change or modification based on uncertainties in the economic, financial, competitive or regulatory environment, which could yield significantly different results than those described, deduced or projected in said forward-looking statements.

Market information

The Update contains information on the markets described in section 1 "Overview of Transgene and its business" of the *Document de référence*, information relating to the Group's markets and its competitive position. This information stems, in particular, from studies conducted by external entities. Publicly available information, that the Company considers reliable, has not been verified by an independent expert and the Company cannot guarantee that a third party using different methods to collect, analyze or calculate such market data would obtain the same results. Furthermore, the Group's competitors may define markets differently.

Risk factors

It is strongly recommended that investors read with particular attention the risk factors which could have an impact on the Group's business in section 1.5 "Risk factors" of the *Document de référence* as well as section 3 "Risk factors" of the Update, before taking an investment decision. The occurrence of all or part of these risks could have an adverse effect on the Group’s business activities, financial position, results or ability to meet its objectives. In addition, other risks not yet identified or considered immaterial by the Group, could produce the same negative impact and investors may lose all or part of their investment.

CONTENTS

In all material respects, and to the extent necessary, the information contained in this Update ensures equality of access between shareholders and investors with information regarding the Company.

*The Update includes in Annex 1 the interim financial report dated September 1, 2016 in connection with the Company's consolidated financial statements as of June 30, 2016 (the "**Interim Financial Report**"), presents the recent events relating to the Company in section 2 "Recent developments" and provides an update on the risk factors in section 3 "Risk factors" as well as to specified sections of the Document de référence in section 4 "Update of specific sections of the Document de référence". A cross-reference table with Annex 1 of Regulation (EC) no. 809/2004 is included in Section VIII.*

I. PERSON RESPONSIBLE FOR THE *DOCUMENT DE RÉFÉRENCE* AND PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

1. Person responsible for the *Document de référence* and its Update

Philippe ARCHINARD
Chairman and Chief Executive Officer

2. Declaration by the person responsible for the Update to the *Document de référence*

I, the undersigned, having taken all reasonable measures for the purpose, hereby certify that the information contained in this Update to the Document de référence gives, to the best of my knowledge, a true and fair view of facts and contains no omission likely to affect its scope or significance.

I hereby declare, to the best of my knowledge, that the interim consolidated 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 Transgene SA and the companies included in its consolidation taken as a whole, and that the accompanying interim financial report reflects the changes in the first six months of the year and their incidence on the accounts and the main related party transactions as well as a description of the principle risks and uncertainties for the six months to come.

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 the Update to the Document de référence and have reviewed the entire Update to the Document de référence.

Illkirch-Graffenstaden,
October 19, 2016
Chairman and Chief Executive Officer
Philippe ARCHINARD

3. Persons responsible for auditing the financial statements

Principal Statutory Auditors

ERNST & YOUNG et Autres 1/2, place des Saisons 92400 Courbevoie - Paris-La Défense	Grant Thornton Cité Internationale 44 quai Charles de Gaulle 69463 Lyon Cedex 06
Represented by Marc-André Audisio	Represented by Françoise Méchin

Ernst & Young et Autres is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles and of the Ernst & Young network.

Grant Thornton is a member of the Compagnie Régionale des Commissaires aux Comptes de Lyon and is not part of a network.

Dates of appointment and expiration of term

Appointed May 29, 1996 and renewed February 16, 1998, and again on June 9, 2004, then on June 17, 2010 and on May 24, 2016 until the General Shareholders' Meeting held to approve the 2021 financial statements.	Appointed May 24, 2016 until the General Shareholders' Meeting held to approve the 2021 financial statements.

Substitute Statutory Auditors

Auditex Tour Ernst & Young 1/2, place des Saisons 92400 Courbevoie - Paris-La Défense 1	Société IGC 3, rue Léon Jost 75017 Paris

Dates of appointment and expiration of term

Appointed June 17, 2010 and renewed on May 24, 2016 until the General Shareholders' Meeting held to approve the 2021 financial statements.	Appointed May 24, 2016 until the General Shareholders' Meeting held to approve the 2021 financial statements.

II. RECENT DEVELOPMENTS

1. Interim Financial Report for the period ended June 30, 2016

The Interim Financial Report for the period from January 1 2016 to June 30, 2016 is included in Annex 1 to the Update.

2. Press release dated September 5, 2016

Transgene Provides an Update on its Development Strategy and on its First Half-Year 2016 Financials

- ✓ **Programs progressing in line with strategy**
- ✓ **Significant reduction of net loss: €12.2 million compared to €28.1 million in H1 2015**
- ✓ **€33.4 million in cash and cash equivalents as of June 30, 2016**
- ✓ **Cash burn guidance confirmed around €35 million in 2016**

Conference call scheduled in English on September 6th, 2016 at 06:00 PM CET (12:00 PM EST)

Strasbourg, France, September 5, 2016, 5:35 pm CET - Transgene (Euronext Paris: TNG), a company focused on designing and developing targeted immunotherapies for the treatment of cancer and infectious diseases, today announced its financial results for the six-month period ended June 30, 2016 and published an update on its business and on the development of its portfolio of therapeutic vaccines and oncolytic viruses.

Since the beginning of the year, Transgene has focused its efforts on implementing its strategy aimed at combining Transgene's immunotherapies with other immunotherapy treatment approaches, in particular immune checkpoint inhibitors (ICIs). The power of these combinations was the subject of great interest at the recent annual American Society of Clinical Oncology (ASCO) meeting that was held in Chicago in June.

The scientific rationale of these combinations is to use Transgene's immunotherapies, such as therapeutic vaccines and oncolytic viruses, to arm and stimulate a cancer-specific immune response while the ICIs further enhance their effects by blocking a pathway that acts as a brake on this immune response. Transgene has already demonstrated the positive effects of these combinations in several preclinical tumor models. More generally, these mechanisms are now widely acknowledged in the scientific community and have been reported in a growing number of publications. Combining these immunotherapies and their different mechanisms of action aims to both **improve the survival outcomes for individual patients and to increase the number of patients that will respond positively to the treatments**. Both clinicians and pharma companies have been impressed with the promising clinical results that we have generated with our products to-date. **The first readouts from these combination clinical trials, which are due to begin shortly, are expected as soon as 2017**.

In parallel with this progress in our clinical development activities, our research teams have been able to showcase **Transgene's capacity to be at the forefront of innovation** in the immunotherapy space.

Philippe Archinard, Chairman and Chief Executive Officer of Transgene said: *"With its focus on research and development activities, Transgene has all the elements needed to position itself as an acknowledged leader in the field of immunotherapy. We are actively working to deliver the improved treatment options that patients with severe diseases clearly need, and to materialize*

development partnerships."

Product pipeline review

1. Therapeutic Vaccines

TG4010: development focused on Phase 2 clinical trials in combination with ICIs

TG4010 is a therapeutic vaccine that induces an immune response against MUC1 expressing tumors, such as non-squamous non-small cell lung cancer (NSCLC). TG4010's mechanism of action and excellent safety profile make it a very suitable candidate for combinations with other therapies.

TG4010's development plan aims at positioning Transgene in all relevant settings of either first or second line treatment of NSCLC patients by the end of 2017. Transgene will focus exclusively on Phase 2 studies that can generate a comprehensive data package as early as 2017. The Company has decided that the Phase 3 study of TG4010 in combination with chemotherapy in first line treatment will not be launched, in order to focus initially on "PD-L1 negative[1]" patients.

Recent clinical trials in NSCLC have shown that a number of ICIs deliver efficacy in first line treatment. However, only about 30% of patients respond to these therapies. Therefore, in first line treatment, where chemotherapy is currently the standard of care, there still remains a significant need for improved therapeutic options, notably for "PD-L1 negative" patients. In second line treatment where ICIs have been approved, there also remains a significant need to improve the prognosis and to increase the number of patients that respond to treatments. Transgene's products could be instrumental in achieving these goals.

In line with its strategy, Transgene intends to capitalize on the recent developments in lung cancer treatment to make TG4010 the ideal candidate for combination regimens with current and future standards of care.

TG4010 + Opdivo® (nivolumab) Phase 2	*Non-small cell lung cancer (NSCLC) – 2nd line* ✓ Trial expected to start in H2 2016 (NCT02823990) and first readout expected in 2017 ✓ Trial of TG4010 in combination with Opdivo®, conducted by UC Davis Medical Center (USA)
TG4010 + ICI Phase 2	*Non-small cell lung cancer (NSCLC) – 1st line* ✓ Preparation for Phase 2 clinical trials (in patients expressing low or undetectable levels of PD-L1) ✓ Trials expected to start in H1 2017

TG4001: preparation of a Phase 2 clinical trial in combination with ICI

TG4001 is a therapeutic vaccine that has already been administered to more than 300 patients with high grade cervical intra-epithelial neoplasia (CIN 2/3). It has demonstrated good safety, a

[1] A molecule called PD-1 can be found at the surface of T cells. It binds with another molecule, PD-L1 that can be found on the surface of certain cancer cells. This interaction prevents T cells from attacking the abnormal cell, and allows the development of the tumor. By inhibiting PD-1 or PD-L1, ICIs help the immune system to eliminate cancer cells again. Nevertheless, these markers can be expressed at different levels in cancer patients. ICIs have demonstrated a significant efficacy in "high PD-L1" patients. ICIs have to date not been able to demonstrate a sufficient efficacy in patients with low or undetectable levels of PD-L1 ("PD-L1 negative" patients).

significant HPV clearance rate and promising efficacy results. Its mechanism of action and good safety profile make TG4001 an appropriate candidate for combinations with other therapies, such as ICIs.

TG4001 + ICI Phase 2	*HPV positive head and neck cancer – 2nd line* ✓ Trial expected to start in H1 2017 ✓ Prof. Christophe Le Tourneau, Institut Curie, principal investigator ✓ Transgene will be the sponsor of the trial

TG1050: ongoing Phase 1/1b trial

TG1050 is a therapeutic vaccine for the treatment of chronic hepatitis B. Transgene has initiated, in 2015, a first-in-man study (NCT02428400) evaluating the safety and tolerability of TG1050 in patients who are currently being treated for chronic HBV infection with standard-of-care antiviral therapy. TG1050 is also being developed in China, where Transgene operates a joint-venture with Tasly Biopharmaceutical Technology.

TG1050 + Standard-of-Care Antiviral Phase 1/1b	*Chronic hepatitis B* ✓ Phase 1/1b clinical trial is progressing following positive recommendation of the Safety Review Committee in July 2016 ✓ IND number granted in China ✓ First data readout in H2 2017

2. Oncolytic viruses

Pexa-Vec: launch of the Phase 3 trial, preparation of the Phase 2 clinical trials in combination with ICIs

Pexa-Vec is an oncolytic virus designed to selectively destroy cancer cells through the lysis (breakdown) of cancer cells through viral replication, the reduction of the blood supply to tumors through vascular disruption, and the stimulation of the body's immune response against cancer cells. Its mechanism of action and its safety profile make it an appropriate candidate for combinations in solid tumors.

Pexa-Vec + sorafenib (PHOCUS) Phase 3	*Advanced liver cancer (hepatocellular carcinoma - HCC) – 1st line* ✓ 1st patient included and opening of clinical centers is progressing ✓ Poster presentation at ASCO annual meeting ✓ Clinical trial conducted by SillaJen, Inc., Transgene's partner ✓ First data readout expected in 2019
Pexa-Vec + ipilimumab Phase 2	*Solid tumors* ✓ Preparation of Phase 2 clinical trial with Centre Léon Bérard, the sponsor of the trial ✓ Trial expected to start in H2 2016 and first readouts in 2017
Pexa-Vec + nivolumab Phase 2	*Advanced liver cancer (hepatocellular carcinoma - HCC) – 1st line* ✓ Preparation of Phase 2 clinical trial (USA + Europe) ✓ Trial expected to start in H1 2017

TG6002: preparation of first-in-human trial

TG6002 is the next generation of oncolytic immunotherapy. It has been designed to induce the breakdown of cancer cells (oncolysis) and express the FCU1 gene in cancer cells it has infected. The expression of this gene causes these cancer cells to transform the non-cytotoxic pro-drug, flucytosine (5-FC), into 5-FU, a widely used chemotherapy. Because this mechanism of action is different from standard therapies, TG6002 could potentially be used both in combination or as a monotherapy once a cancer becomes resistant to standard therapy.

TG6002 Phase 1	*Glioblastoma* ✓ Preparation of a Phase 1 clinical trial with AP-HP (Pr Delattre principal investigator), with the support of INCA (French national cancer institute) ✓ Trial expected to start in H1 2017

3. Preclinical portfolio

During the first six months of 2016, Transgene has focused its preclinical research on two key topics:

- The design of new, highly innovative oncolytic viruses with embedded payloads such as ICIs, or enzymes, either prodrug-activating enzymes or enzymes that can degrade immunosuppressive compounds. These novel viruses are expected to modulate the tumor microenvironment and to improve the potency of the anti-tumor immune response;
- The development of innovative modalities for the preclinical screening, of new mode of administration, and the further characterization of our new candidate products.

Several posters have been presented at key conferences, which allowed the Company to introduce its most recent results in the fields of onco-immunology and chronic infectious diseases. For example, at the last AACR (American Association for Cancer Research) meeting, Transgene presented a poster reporting the features of an oncolytic vaccinia virus expressing an anti-PD-1 antibody, thus demonstrating our capacity to engineer advanced multifunctional viruses in a so called "2 in 1" approach.

Transgene expects that the integration of advanced therapeutic payloads within an oncolytic virus will allow it to generate several new drug candidates.

Corporate

- Restructuring plan and sale of the production asset to ABL Europe for €3.5 million finalized. Annualized savings are estimated to be approximately €15 million.
- Management team strengthened: Maud Brandely, MD, PhD appointed Chief Medical Officer, and John Felitti, JD, LLM appointed General Counsel & Corporate Secretary

Key financials

Key elements of the income statement

(in thousands of euros)	**June 30, 2016**	**June 30, 2015**
Operating revenues	**4,875**	**5,255**
Research and development expenses	(12,504)	(16,907)
General and administrative expenses	(3,406)	(2,991)
Other revenue and (expenses), net	336	(5,536)
Net operating expenses	**(15,574)**	**(25,434)**
Operating income / (loss) from continuing operations	**(10,699)**	**(20,179)**
Net income / (loss) from continuing operations	**(11,639)**	**(21,659)**
Net income / (loss) from discontinued operations	***(514)***	***(6,424)***
Net income	**(12,153)**	**(28,083)**

Operating revenues amounted to €4.9 million in the six months to June 30, 2016 against €5.3 million in the corresponding period in 2015. Revenues from collaboration and licensing agreements amounted to €1.9 million versus €0.8 million in the same period last year. Theses revenues come mainly from fees for conducting research and development activities for third parties and from royalties on licensed products. A one-off revenue of €1.3 million came from Sanofi Chimie.
Government financing of research expenditure amounted to €3.0 million and €4.5 million for the first six months of 2016 and 2015 respectively. These figures include a research credit tax of €2.9 million for the six-month period to June 30, 2016, compared to €4.3 million in the same period in 2015. This reduction was due to the lower level of research expenditure that was eligible for the research tax credit. This was as a result of the restructuring of the company which was announced in the first half of 2015.

Research and development expenses (R&D) amounted to €12.6 million for the first half of 2016 compared to €16.9 million for the same period in 2015. This decline was mainly due to the reorganization of the company that resulted from a decision made in June 2015. The increase in external expenses for clinical trials reflected the execution of the development plans for TG4010, Pexa-Vec and TG1050. General and administrative expenses stood at €3.4 million for the first six months of 2016 compared to €3.0 million during the same period in 2015.

The **overall net loss** was €12.2 million for the first half of 2016 a significant reduction compared to the €28.1 million net loss in the first half of 2015.

As of June 30, 2016, the Company had **cash, cash equivalents, available-for-sale financial assets and other financial assets** of €33.4 million. This compares to €31.7 million as of December 31, 2015.

- Cash burn (excluding EIB financing) for the first six months of 2016 fell by 37% to €8.2 million, compared to €13.0 million in the same period in 2015. Net cash outflows linked to the restructuring plan amounted to €3.6 million in the first half of 2016. Excluding the cash-out related to the restructuring plan, cash burn was €4.6 million.
- In June 2016, Transgene drew the first tranche of the EIB (European Investment Bank) loan facility secured in January 2016. This €10 million tranche will be repayable in 2021, and the accrued interest will be payable from 2019. The overall size of the EIB loan facility is €20 million.

"The results of the first six months of 2016 reflect the completion of the reorganization started in 2015. We have significantly reduced our operational costs, which allows us to fund our promising preclinical and clinical developments, while containing our cash consumption", commented Jean-Philippe Del, Chief Financial Officer of Transgene.

Transgene confirms that it expects its cash burn to be around €35 million in 2016. This forecast includes a significant increase in cash consumption that is expected in the second half of 2016 due to:

- An acceleration of our clinical development plan, and the related expenses;
- Exceptional cash payments including:
  - A milestone payment to SillaJen, Inc., when the first patient is recruited in Europe in the Phase 3 trial of Pexa-Vec (PHOCUS trial),
  - A capital increase of our joint-venture in China with Tasly Biopharmaceutical Technology;
- Major cash-ins in the first half of 2016 included tax credit financing (€7.6 million) and a one-off payment from Sanofi Chimie (€1.3 million).

As a reminder, the Company still benefits from access to further funding that can be activated in 2016: namely the second tranche of the EIB loan (€10 million) and the commitment given by Institut Mérieux for up to €10 million.

The Board of Directors of Transgene met on September 1, 2016 and reviewed the financial statements for the six-month period ended June 30, 2016. The Statutory Auditors have conducted a review of the interim consolidated financial statements. The half-year financial report is available on Transgene's website, www.transgene.com.

Appendices

CONSOLIDATED BALANCE SHEET, IFRS,
(In € thousands)

ASSETS	June 30, 2016	December 31, 2015
Current assets:		
Cash and cash equivalents	5,608	3,285
Other current financial assets	27,760	28,365
Cash, cash equivalents and other current financial assets:	**33,368**	**31,650**
Trade receivables	2,384	1,784
Inventories	151	1,164
Other current assets	15,324	12,930
Assets available for sale	-	3,500
Total current assets	**51,227**	**51,028**
Non-current assets:		
Property, plant and equipment	15,357	16,559
Intangible assets	512	485
Financial fixed assets	5,064	4,050
Investments in associates	734	1,148
Other non-current assets	21,623	27,599
Total non-current assets	**43,290**	**49,841**
Total assets	**94,517**	**100,869**

LIABILITIES AND EQUITY	June 30, 2016	December 31, 2015
Current liabilities:		
Trade payables	6,985	6,521
Financial liabilities	9,967	9,396
Provisions for risks	3,249	7,038
Other current liabilities	3,356	3,770
Total current liabilities	**23,557**	**26,725**
Non-current liabilities:		
Financial liabilities	53,169	44,401
Employee benefits	3,335	3,196
Other non-current liabilities	-	-
Total non-current liabilities	**56,504**	**47,597**
Total liabilities	**80,061**	**74,322**
Equity:		
Share capital	38,545	88,196
Share premiums and reserves	476,875	476,788
Retained Earnings	(487,987)	(491,263)
Profit (loss) for the period	(12,153)	(46,374)
Other comprehensive income	(824)	(800)
Total equity attributable to Company shareholders	**14,456**	**26,547**
Total equity and liabilities	**94,517**	**100,869**

CONSOLIDATED INCOME STATEMENT, IFRS

(In € thousands, except for per-share data)

	June 30, 2016	June 30, 2015
Revenue from collaborative and licensing agreements	1,905	777
Government financing for research expenditure	2,970	4,478
Operating income	**4,875**	**5,255**
Research and development expenses	(12,504)	(16,907)
General and administrative expenses	(3,406)	(2,991)
Other income and (expenses), net	336	(5,536)
Net operating expenses	**(15,574)**	**(25,434)**
Operating income from continuing operations	**(10,699)**	**(20,179)**
Finance cost	(526)	(882)
Share of profit (loss) of associates	(414)	(598)
Income (loss) before tax	**(11,639)**	**(21,659)**
Income tax expense	-	-
Net income/(loss) from continuing operations	**(11,639)**	**(21,659)**
Net income/(loss) from discontinued operations	**(514)**	**(6,424)**
Net income	**(12,153)**	**(28,083)**
Basic loss per share (€)	(0.32)	(0.73)
Diluted earnings per share (€)	(0.32)	(0.73)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(In € thousands)

	June 30, 2016	June 30, 2015
Net income	**(12,153)**	**(28,083)**
Foreign exchange gains/(losses)	(2)	13
Revaluation of hedging instruments	(22)	102
Other comprehensive income re-classifiable into profit or loss	**(24)**	**115**
Net comprehensive income	**(12,177)**	**(27,968)**
Of which, equity holder of the parent:	**(12,177)**	**(27,968)**
Of which, minority interests:	-	-

CASH FLOW STATEMENT, IFRS
(in € thousands)

	June 30, 2016	June 30, 2015
Cash flow from operating activities:		
Net income/(loss) from continuing operations	(11,638)	(28,083)
Net income/(loss) from discontinued operations	(514)	-
Cancellation of financial income	526	882
Elimination of non-cash items		
Income of associates	414	598
Provisions	(6,593)	8,933
Depreciation	1,291	1,489
Share-based payments	87	231
Others	6,220	6
Net cash generated from/(used in) operating activities before change in working capital and other operating cash flow:	**(10,207)**	**(15,944)**
Change in operating working capital requirements:		
Current receivables and prepaid expenses	(2,186)	(202)
Inventories and work in progress	1,013	12
Research tax credit	(2,997)	(4,487)
Assets available for sale	2,000	-
Other current assets	(2,347)	311
Trade payables	414	(169)
Prepaid income	(65)	376
Employee benefits	(348)	293
Other current liabilities	(2)	(2)
Net cash used in operating activities:	**(14,725)**	**(19,812)**
Cash flows from investing activities:		
(Acquisitions)/disposals of property, plant and equipment	159	(578)
(Acquisitions)/disposals of intangible assets	(4)	(4)
Other (acquisitions)/disposals	330	355
Net cash used in investing activities:	**485**	**(227)**
Cash flow from financing activities:		
Net financial income proceeds	(130)	(443)
Gross proceeds from the issuance of shares	-	111
Share issue costs	-	-
Conditional subsidies	-	-
(Acquisition)/disposal of other financial assets	605	13,246
Net tax credit financing	6,760	7,975
Bank loan	10,000	-
Financial leases	(670)	(543)
Net cash generated from/(used in) financing activities:	**16,566**	**20,346**
Effect of changes in exchange rates on cash and cash equivalents	(2)	13
Net increase/(decrease) in cash and cash equivalents:	**2,324**	**320**
Cash and cash equivalents at beginning of period	3,285	3,513
Cash and cash equivalents at end of period:	**5,609**	**3,833**

Investments in other current financial assets	27,760	49,175
Cash, cash equivalents and other current financial assets:	**33,369**	**53,008**

3. Press release dated October 5, 2016

Transgene presents data on improved cytotoxic activity of oncolytic viruses expressing intrabodies in resistant tumor cell lines

Presented at 10th International Meeting on Replicating Oncolytic Virus Therapeutics (Vancouver, Canada)

Strasbourg, France, October 5, 2016, 6:00 p.m. CET—Transgene (Euronext Paris: TNG), a company focused on designing and developing viral vector-based immunotherapies for cancer and infectious diseases, presented an original approach to improve the cytotoxic activity of oncolytic viruses at the 10th International Meeting on Replicating Oncolytic Virus Therapeutics, Vancouver, Canada October 1–4, 2016. This approach is based on the use of intrabodies, fragments of recombinant monoclonal antibodies designed to act intracellularly and to bypass a mechanism which prevents viral-induced cytolysis that is seen in some resistant tumor cell lines. These results open new possibilities for engineering the next generation of oncolytic viruses. The poster is available on www.transgene.fr or by clicking on this link.

Dr. Johann Foloppe, Senior Scientist, Oncolytic Virus Research, Transgene, said: *"Despite recent progress in the field of oncolytic virotherapy, there is still a need to design products that could also work in cancer cells resistant to cytolysis. We identified important targets that control cytolytic activity, and have developed an original approach to block these intracellular targets. We believe this approach will allow us to generate the next generation of viral vectors with the ability to lyse cancer cells more effectively and more selectively."*

The research was conducted with an oncolytic virus candidate, based on the Copenhagen strain of the *vaccinia virus* (VACV), displaying two key mutations that confer tumor selectivity (TK- and RR-).

In the poster, scientists from Transgene and collaborating academic institutions describe the potential of a new approach in designing an oncolytic virus. The research identifies 16 key tumor cell components produced in response to VACV infection, which are implicated in resistance. It also outlines the ability of the construct to express a monoclonal antibody called an "intrabody" in tumor cells, that is able to selectively neutralize one of these tumor cell components by binding to it and re-localizing it into the cell nucleus where it cannot be activated. This relocalizing aims to achieve the same effect as siRNA knockdowns. The research was undertaken in several tumor cell lines that have low susceptibility to VACV-induced cytolysis. These promising results broaden the scope of possible cancer indications that can be targeted using oncolytic viruses.

Transgene intends to create a new generation of improved oncolytic virus based therapeutics VACVs capable of intrabody-mediated relocalizing of tumor cell proteins and as a result to enhance cancer killing.

Eric Quéméneur, Chief Scientific Officer of Transgene, said: *"These original findings that we have presented at this international meeting demonstrate the potency of the vaccinia platform for expressing intracellular antibodies. With this innovative approach, we open new vistas in the field of armed oncolytic viruses. I am confident that the ongoing research effort at Transgene will*

contribute positioning us as one of the global leaders in the development of new oncolytic virus therapeutics."

Transgene's lead oncolytic viral therapeutic Pexa-Vec is in a Phase 3 trial evaluating its potential as a novel treatment for patients with hepatic cell carcinoma. The Phase 3 trial is being conducted by Transgene's partner SillaJen, Inc. Transgene is planning to conduct further trials with Pexa-Vec in combination with immune checkpoint inhibitors in patients with solid tumors.

The second advanced product is TG6002, a second generation of oncolytic virus, is expected to enter Phase 1 trial in H1 2017 in patients with glioblastoma. This study will be conducted at AP-HP with Pr. Delattre as principal investigator, with the support of InCa (French National Cancer Institute). TG6002 is based on the Copenhagen strain of the vaccinia virus (VACV), which has had the TK and RR genes deleted to prevent it from replicating in normal cells. It has also been designed to express the FCU1 gene allowing it to be used in combination with 5FC to locally produce 5 FU, a commonly used chemotherapeutic agent.

4. Press release dated October 17, 2016

First Patient Randomized in Multiple Dose Cohort of Phase 1/1b Trial with Transgene's TG1050 in Chronic Hepatitis B Patients

- *Continuation of the trial following the positive recommendation of the Safety Review Committee (July 2016)*
- *First data readout expected in H2 2017*

Strasbourg, France, October 17, 2016, 6:00 p.m. CET—Transgene (Euronext Paris: TNG), a company focused on designing and developing targeted immunotherapies for the treatment of cancer and infectious diseases, today announced that the first patient has been included in the multiple dose cohort of the Phase 1/1b trial with TG1050, Transgene's immunotherapy product candidate for the treatment of chronic hepatitis B virus (HBV) infection (NCT: 02428400).

The continuation of the trial in the multiple dose cohorts follows the positive recommendation of the Safety Review Committee (July 2016) as no severe adverse events have been observed in patients receiving a single dose of TG1050.

This first-in-man trial is an international, randomized, multi-center, double-blind, placebo-controlled study evaluating TG1050 in patients who are currently being treated for chronic HBV infection with standard-of-care antiviral therapy. The primary objectives of the Phase 1/1b study are to evaluate the safety and tolerability of TG1050 administered in single and multiple doses and to determine the dose and schedule of TG1050 administration for further development. Secondary objectives include evaluating the antiviral activity of and immune responses to TG1050. First data readout is expected in H2 2017.

TG1050 is a targeted immunotherapy candidate for the treatment of chronic hepatitis B, based on a viral vector expressing three HBV antigens. It is a therapeutic vaccine that has been designed and developed by Transgene's antiviral research team. Preclinical results have demonstrated TG1050's capacity to induce robust, broad and long-lasting HBV-specific T cells with characteristics similar to those found in patients whose infection has been resolved[2]. Antiviral effects of TG1050, including seroconversion to the surface antigen (HBsAg), have also been shown[3].

Chronic hepatitis B is a major unmet medical need, as current treatments only cure about 3% of

[2] *Gut. 2015 Dec;64(12):1961-71. doi: 10.1136/gutjnl-2014-308041*

[3] *J Hepatol, 2015, Vol 62 (Suppl N° 2), S205*

the patients. With TG1050, Transgene is looking to provide a much more-effective treatment that is urgently needed for this viral liver disease, which can lead to cirrhosis and liver cancer.

III. RISK FACTORS

The Company is subject to all the various risks factors set out in section 1.5 of the *Document de référence* found at pages 27 to 35. The Company believes that these risk factors remain up to date and that as of this Update, there were not any new significant risk areas requiring disclosure other than those described below:

1.5.2.1.3 Liquidity risk

The description of liquidity risks was supplemented as follows:

As of September 30, 2016, cash and cash equivalents, available-for-sale financial assets, and other current financial assets of the Company totaled €25.4 million. In addition, the Institut Mérieux committed to providing approximately €10 million in additional financing in 2016 and the Company will also be able to draw the second tranche of the €10 million credit facility granted by the European Investment Bank (EIB).

As of the Update, in the absence of the commitment of IM and the second tranche of the credit facility granted by BEI, the Group's net working capital would not be sufficient for it to meet its obligations over the next twelve months following the Update. The Company estimates that the shortfall may amount to approximately €14 million, or around 8 months of the Group’s cash burn. Consequently, the Group would not be able to meet its current level of expenses and subcontracting expenses from around February 2017.

IV. UPDATE OF SPECIFIC SECTIONS OF THE *DOCUMENT DE RÉFÉRENCE*

1. Update of section 1.1 "Selected financial data"

The tables below set out a selection of the Company's financial data taken from the IFRS consolidated financial statements for the period ended December 31, 2015 and the IFRS interim consolidated financial statements for the period ended June 30, 2016.

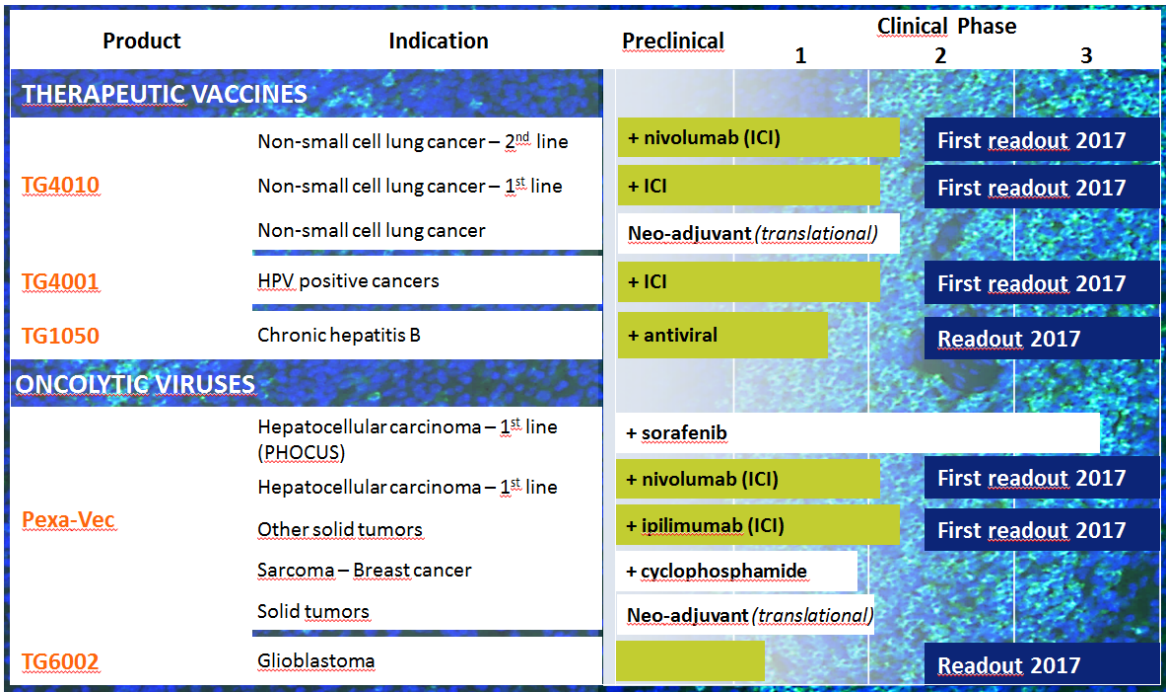
In thousands of euros **(Consolidated financial statements, IAS/IFRS)**	**December 31,**		**June 30,**	
	2015	**2014**	**2016**	**2015**
	Audited data		***Unaudited data***	
Income statement data:				
Operating income	**9,565**	**11,099**	**4,875**	**5,255**
Research and development expenses	(32,138)	(41,731)	(12,504)	(16,907)
General and administrative expenses	(5,798)	(7,578)	(3,406)	(2,991)
Other revenue and expenses	(7,436)	(1,282)	336	(5,536)
Net operating expenses	**(45,372)**	**(50,591)**	**(15,574)**	**(25,434)**
Operating income (loss)	**(35,807)**	**(39,492)**	**(10,699)**	**(20,179)**
Finance cost	(930)	(801)	(526)	(882)
Share of profit (loss) of associates	(1,172)	(823)	(414)	(598)
Income tax expense	-	-	-	-
Net income	**(46,374)**	**(48,556)**	**(12,153)**	**(28,083)**
Diluted loss per share	(1.20)	(1.26)	(0.32)	(0.73)
Average number of shares outstanding	38,545,397	38,527,968	38,545,397	38,545,397
Cash, cash equivalents and other current financial assets	31,650	65,935	33,368	53,008
Total assets	100,869	140,953	94,517	128,314
Equity	26,547	71,839	14,456	44,214
Net cash flow generated by/(used in) operations	(45,152)	(54,236)	(14,725)	(19,812)

2. Update of section 1.2.2.2 "Subsidiaries and investments" and section 5.5 "Information on investments in affiliates"

In September 2016, Transgene started the liquidation process of Transgene Biopharmaceuticals Technology (Shanghai) Co. Ltd, its wholly owned subsidiary, whose collaborative academic research projects are now completed. The liquidation process is expected to be completed over a 9 to 18 months period.

3. Update of section 1.3 "Description of activities"

The table below shows the advancement stages of products under development as of the Update:



4. Update of section 1.3.3 "Investments"

The Company did not carry out any significant investments in property, plant and equipment or intangible assets in 2016. However, the Company sold its manufacturing activity assets to ABL Europe SAS as part of the outsourcing of said activities. For further information, see Note 2.1 to the Interim Financial Report included in Annex 1 of this Update.

In addition, in the context of the capital increase of Transgene Tasly (Tianjin) Biopharmaceutical Co. Ltd, a 50%-owned joint-venture of the Company, Transgene committed to contribute the Chinese license claiming TG6002, as well as €2.39 million by end-November 2016. Tasly, the other shareholder, committed to contribute an amount of €4.78 million, enabling both partners to maintain an equal amount in the new share capital of the joint-venture. The capital increase will take place following the exercise by the joint-venture, of an option on the Chinese originator license for TG6002, for which the joint-venture already holds a research license. The joint-venture already holds the Chinese rights for the candidate TG3003, as well as a research license and option on the Chinese patent claiming TG1050. These three products candidates are being developed by the joint-venture for the Chinese market.

5. Update of section 1.5.2.3 "Legal and arbitration proceedings"

There are to date, to the knowledge of the Company, no exceptional acts or governmental, legal or arbitration proceedings (including any proceedings of which the Company is aware that 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.

6. Update of section 2 "Corporate governance"

The Company complies with the corporate governance recommendations contained in the MiddleNext Code of Corporate Governance for mid- and small-cap companies of December 2009 (the "**MiddleNext Code**"). Following the publication of a revised version of the MiddleNext Code in September 2016, the Company's Board of Directors will amend the rules of procedure prior to the next General Shareholders' Meeting**.**

7. Update of section 2.1 "Administrative and management bodies"

2.1.1.1.1 Board of Directors

The General Shareholders' Meeting of May 24, 2016 appointed a new Director, Mr. Antoine Bérét, to replace Mr. Arnaud Fayet who did not seek to renew his term.

Antoine Bérét

Age : 72

First appointment: **2016**
Term expires: **2019**

Principal role in the Company: **Director**
Number of Company shares held: **0**
Number of Company options held: **0**

Principal role outside of the Company:
CEO of Genoscience Pharma SAS
Chairman of Axenis.

Management experience and expertise:
Co-founder of several companies specializing in biomedicine (Trophos, Immunotech, etc.)
Account manager at Crédit National responsible for industrial corporate financing

Other mandates held:
None

2.1.1.1.2 Executive Committee

Declaration concerning the administrative and management bodies

To the Company's knowledge as of the Update, 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 Update, any arrangement or agreement made between the major shareholders, customers, suppliers or others, apart from those listed in section 2.1.2.3 to of the *Document de référence*.

Moreover, to the Company's knowledge as of the Update, no member of the Board of Directors has been:

- convicted of fraud in at least the past five years;
- subject to a bankruptcy, receivership or liquidation as a director or corporate officer in at least the past five years;
- indicted and/or officially and publicly sanctioned by statutory or regulatory authorities in at least the last five years.

Finally, to the Company's knowledge and as of the date of the Update, no directors have been

disqualified by a court from acting as a member of an administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer within at least the past five years.

Conflicts of interest in administrative and management bodies

As of the Update, 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.

It is stated that Jean-Luc Bélingard, a director of the Company, is also Chairman and Chief Executive Officer of bioMérieux SA, of which the Institut Mérieux held 58.9% of the capital as of December 31, 2015. Institut Mérieux holds 98.66% of the capital and voting rights in TSGH SAS, which itself owns, as of the date of this Document de référence, 51.85% 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.

8. Update of section 5.1 "Share capital"

5.1.1 Paid-in capital

As of the Update, the share capital amounted to €38,545,397, fully paid up following the capital reduction approved by Transgene shareholders at the General Shareholders' Meeting of May 24, 2016.

5.1.1.1 Number of shares issued

The share capital is divided into 38,545,397 shares, with a nominal value of €1 each, all in the same class and fully paid. There were no changes in share capital or in the number of shares as of the Update.

5.1.5 Capital authorized and not issued

On May 24, 2016, the Board of Directors voted in favor of a free share award plan for Company shareholders, consisting of 205,459 shares to be issued on May 24, 2018. This plan comes in addition to the 41,130 shares issued under a previous plan which have not yet vested, thus totaling 246,589 potential new shares.

No options have currently been granted in 2016 and the potential dilution arising from the options issued, but not yet exercised, totals 1,000,826 new shares.

As of the Update, the number of shares that could be issued against outstanding stock options and free share awards was 1,247,415, or about 3% of the Company's share capital on a fully diluted basis (or 39,792,812 shares).

The Extraordinary General Shareholders' Meeting of May 24, 2016, delegated the following powers to the Board of Directors, each having been the subject of a separate resolution. As of the Update, the Board of Directors had only made use of the delegation authorizing it to allocate free shares:

Nature of the delegation granted	**Maximum amount of delegation and effective date**	**Amount used by the Board of Directors**
Capital increase with preferential subscription rights for shareholders	19.3 million shares in one or more tranches	None

Nature of the delegation granted	Maximum amount of delegation and effective date	Amount used by the Board of Directors
[19th resolution]	Validity: July 24, 2018	
Capital increase without preferential subscription rights for shareholders [20th resolution]	15.4 million shares in one or more tranches (included in the ceiling of 19.3 million shares) Validity: July 24, 2018	None
Setting the price of issuance of shares in the event of the waiver of preferential subscription rights in accordance with Article L. 225-136 1° para. 2 of the French Commercial Code [21st and 22nd resolutions]	20% of share capital (included in the ceiling of 19.3 million shares) with a price not less than the average of the price of three trading sessions with a maximum discount of 5% 10% of share capital if the price shows a maximum discount of 20% Validity: July 24, 2018	None
Capital increase without preferential subscription rights to compensate the contribution of securities, in the case of an exchange offer or contribution in kind applicable to corporate securities [24th resolution]	10% of share capital per year Validity: July 24, 2018	None
Award of free shares in the Company to Company and Group employees without preferential subscription rights [27th resolution]	600,000 existing or new shares Validity: July 24, 2019	Award of 205,459 free shares voted on May 24, 2016

V. 2016 FIRST-HALF RESULTS (UNAUDITED BUT SUBJECT TO A LIMITED REVIEW)

The Interim Financial Report for the period from January 1, 2016 to June 30, 2016 is included in Annex 1 to the Update.

VI. QUARTERLY FINANCIAL INFORMATION AS OF SEPTEMBER 30, 2016 (UNAUDITED)

The quarterly financial information as of September 30, 2016 is described below:

Operating revenue:

The following table summarizes the third quarter operating revenue[4] 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.
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.

[4] *Excluding revenue from discontinued operations*

- 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.

VII. FINANCIAL INFORMATION ON THE CASH POSITION AS OF SEPTEMBER 30, 2016 (UNAUDITED)

As of September 30, 2016, cash and cash equivalents, available-for-sale financial assets and other current financial assets totaled €25.4 million, compared with €31.7 million as of December 31, 2015.

VIII. CROSS-REFERENCE TABLE

The cross-reference table below shows the sections of the *Document de référence* (as required under Annex 1 of Regulation (EC) no. 809/2004 of April 29, 2004) that are concerned by this Update.

	Section of the *Document de référence*	**Pages of the *Document de référence***	**Pages of the Update**
1.	**Persons responsible**	**154**	**4**
1.1.	Persons responsible for information	154	4
1.2.	Declaration by the responsible person	154	4
2.	**Statutory Auditors**	**155**	**5**
3.	**Selected financial data**	**6**	**16 and 17**
4.	**Risk factors**	**27 to 35**	**16**
4.1.	Risks specific to the Company	27 to 30	-
4.2.	Risks related to the Company's business sector	30 and 31	-
4.3.	Financial risks	32 and 33	16
4.4.	Legal risks	33 to 35	-
4.5.	Insurance and risk hedging	35	-
4.6.	Regulatory risks	31	-

	Section of the *Document de référence*	Pages of the *Document de référence*	Pages of the Update
5.	**Information on the issuer**	**13, 147**	**18**
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5.2.	Investments	13	18
6.	**Business overview**	**10 to 15, 22, 33 to 35**	**19**
6.1.	Principal activities	15	-
6.2.	Principal markets	10 to 13	-
6.3.	Exceptional events	22	-
6.4.	Dependence of the Company on patents, licenses and trade agreements	33 to 35	**-**
6.5.	Competitive advantages	14	-
7.	**Organizational chart**	**8 and 9**	**17**
7.1.	Relationship with the Institut Mérieux group	8	-
7.2.	Subsidiaries and investments	9	17
8.	**Property, plant and equipment**	**9, 68 to 70**	**-**
8.1.	Property and equipment	9	**-**
8.2.	Environment	68 to 70	**-**
9.	**Review of financial condition and results**	**21 to 26**	**-**
9.1.	General	21	**-**
9.2.	Major accounting principles	21 and 22	**-**
9.3.	Financial position	23 to 26	**-**
10.	**Cash flow and capital resources**	**23**	**-**
11.	**Research and development, patents and licenses**	**10 to 14**	**-**
12.	**Information on trends**	**22**	**-**
13.	**Profit forecasts or estimates**	**22**	**-**
14.	**Administrative and management bodies**	**38 to 44**	**19 and 20**
14.1.	Composition	38 to 44	19 and 20
14.2.	Conflicts of interest in administrative and management bodies	43	20
15.	**Compensation and benefits**	**47 to 51**	**-**
15.1.	Compensation paid to corporate officers	47 to 51	-
15.2.	Total amount of pension provisions	48	-
16.	**Role of administrative and management bodies**	**38 to 44, 52 to 60**	**19 and 20**
16.1.	Dates and expiration of term	38 to 41	**-**
16.2.	Service contracts between the issuer and the members of the Board of Directors.	43	-
16.3.	Audit Committee and Nominations and Compensation Committee	44	**-**
16.4.	Corporate Governance	52 to 60	19
17.	**Employees**	**64, 48 to 50**	**-**
17.1.	Workforce	64	**-**

	Section of the *Document de référence*	Pages of the *Document de référence*	Pages of the Update
17.2.	Stock options	48 to 50	-
18.	**Principal shareholders**	**141 to 142**	**-**
18.1.	Name of any person not a member of an administrative or management body directly or indirectly holding more than 5% (statutory and legal reporting threshold) of the Company's capital or voting rights	141	**-**
18.2.	Special voting rights of major shareholders	142	**-**
18.3.	Controlling shareholder	142	-
18.4.	Agreement that may result in a subsequent change of control of the Company	142	**-**
19.	**Related-party transactions**	**149 to 151, 133, 128**	**-**
20.	**Financial information concerning company assets, financial position and earnings**	**22, 26, 35, 76 to 136**	**21, 22, Annex 1**
20.1.	Historical financial information	76 to 136	**-**
20.2.	Pro forma financial information	136	-
20.3.	Financial statements	76 to 135	**-**
20.4.	Verification of annual financial information	134 and 135, 112	**-**
20.5.	Date of latest financial information	111	21, Annex 1
20.6.	Interim financial information	111	21, Annex 1
20.7.	Dividend policy	26	
20.8.	Legal and arbitration proceedings	35	18
20.9.	Significant change in the Company's financial or trading position	22	**-**
21.	**Additional information**	**138 to 146**	**20 and 21**
21.1.	Share capital	138	20 and 21
21.2.	Articles of incorporation and statutes	143 and 144	**-**
22.	**Material contracts**	**19 and 20**	**-**
23.	**Third-party information, statements by experts and declarations of interest**	**157**	**-**
24.	**Documents on display**	**158**	**-**
25.	**Information on investments in affiliates**	**133**	**17**
26.	**Additional information**	**154**	**-**
27.	**Board of Directors' management report for fiscal year 2012**	**164 to 168**	**-**

ANNEX 1 – 2016 INTERIM FINANCIAL REPORT

INTERIM FINANCIAL REPORT AS OF JUNE 30, 2016

Contents:

1. 2016 interim consolidated financial statements

CONSOLIDATED BALANCE SHEET, IFRS, (IN € THOUSANDS)

ASSETS	Note	06/30/2016	12/31/2015
Current assets:			
Cash and cash equivalents	2	5,608	3,285
Other current financial assets	2	27,760	28,365
Cash, cash equivalents and other current financial assets:	**2**	**33,368**	**31,650**
Trade receivables		2,384	1,784
Inventories		151	1,164
Other current assets	3	15,324	12,930
Assets available for sale	4	-	3,500
Total current assets		**51,227**	**51,028**
Non-current assets:			
Property, plant and equipment	5	15,357	16,559
Intangible assets	6	512	485
Financial fixed assets	7	5,064	4,050
Investments in associates	7	734	1,148
Other non-current assets	8	21,623	27,599
Total non-current assets		**43,290**	**49,841**
Total assets		**94,517**	**100,869**

LIABILITIES AND EQUITY	Note	06/30/2016	12/31/2015
Current liabilities:			
Trade payables		6,985	6,521
Financial liabilities	9	9,967	9,396
Provisions for risks	1.5	3,249	7,038
Other current liabilities	10	3,356	3,770
Total current liabilities		**23,557**	**26,725**
Non-current liabilities:			
Financial liabilities	9	53,169	44,401
Employee benefits	11	3,335	3,196
Other non-current liabilities	10	-	-
Total non-current liabilities		**56,504**	**47,597**
Total liabilities		**80,061**	**74,322**
Equity:			
Share capital	12	38,545	88,196
Share premiums and reserves		476,875	476,788
Retained Earnings		(487,987)	(491,263)
Profit (loss) for the period		(12,153)	(46,374)
Other comprehensive income		(824)	(800)
Total equity attributable to Company shareholders		**14,456**	**26,547**
Total equity and liabilities		**94,517**	**100,869**

Consolidated income statement, IFRS
(In € thousands, except for per-share data)

	Note	06/30/2016	06/30/2015
Revenue from collaborative and licensing agreements	13	1,905	777
Government financing for research expenditure	13	2,970	4,478
Operating income		**4,875**	**5,255**
Research and development expenses	1.3.1	(12,504)	(16,907)
General and administrative expenses	1.3.2	(3,406)	(2,991)
Other income and (expenses), net	14	336	(5,536)
Net operating expenses		**(15,574)**	**(25,434)**
Operating income from continuing operations		**(10,699)**	**(20,179)**
Finance cost	15	(526)	(882)
Share of profit (loss) of associates	7	(414)	(598)
Income (loss) before tax		**(11,639)**	**(21,659)**
Income tax expense	16	-	-
Net income/(loss) from continuing operations		**(11,639)**	**(21,659)**
Net income/(loss) from discontinued operations	1.4.4	**(514)**	**(6,424)**
Net income		**(12,153)**	**(28,083)**
Basic loss per share (€)	12	(0.32)	(0.73)
Diluted earnings per share (€)	12	(0.32)	(0.73)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS
(In € thousands)

	06/30/2016	06/30/2015
Net income	**(12,153)**	**(28,083)**
Foreign exchange gains/(losses)	(2)	13
Revaluation of hedging instruments	(22)	102
Other comprehensive income re-classifiable into profit or loss	**(24)**	**115**
Net comprehensive income	**(12,177)**	**(27,968)**
Of which, equity holder of the parent:	**(12,177)**	**(27,968)**
Of which, minority interests:	-	-

Cash flow statement, IFRS
(in € thousands)

	Note	06/30/2016	06/30/2015
Cash flow from operating activities:			
Net income/(loss) from continuing operations		(11,638)	(28,083)
Net income/(loss) from discontinued operations		(514)	-
Cancellation of financial income		526	882
Elimination of non-cash items			
Income of associates		414	598
Provisions		(6,593)	8,933
Depreciation	5, 6, 7	1,291	1,489
Share-based payments	17.2	87	231
Others	14	6,220	6
Net cash generated from/(used in) operating activities before change in working capital and other operating cash flow:		**(10,207)**	**(15,944)**
Change in operating working capital requirements:			
Current receivables and prepaid expenses	21	(2,186)	(202)
Inventories and work in progress		1,013	12
Research tax credit	13.2	(2,997)	(4,487)
Assets available for sale	4	2,000	-
Other current assets	3	(2,347)	311
Trade payables	21	414	(169)
Prepaid income	10	(65)	376
Employee benefits	11	(348)	293
Other current liabilities	10	(2)	(2)
Net cash used in operating activities:		**(14,725)**	**(19,812)**
Cash flows from investing activities:			
(Acquisitions)/disposals of property, plant and equipment	5	159	(578)
(Acquisitions)/disposals of intangible assets	6	(4)	(4)
Other (acquisitions)/disposals	7	330	355
Net cash used in investing activities:		**485**	**(227)**
Cash flow from financing activities:			
Net financial income proceeds	15	(130)	(443)
Gross proceeds from the issuance of shares	15	-	111
Share issue costs		-	-
Conditional subsidies	9.2	-	-
(Acquisition)/disposal of other financial assets	2	605	13,246
Net tax credit financing	9	6,760	7,975
Bank loan	9	10,000	-
Financial leases	9	(670)	(543)
Net cash generated from/(used in) financing activities:		**16,566**	**20,346**
Effect of changes in exchange rates on cash and cash equivalents		(2)	13
Net increase/(decrease) in cash and cash equivalents:		**2,324**	**320**
Cash and cash equivalents at beginning of period		3,285	3,513
Cash and cash equivalents at end of period:		**5,609**	**3,833**
Investments in other current financial assets		27,760	49,175
Cash, cash equivalents and other current financial assets:		**33,369**	**53,008**

Statement of changes in equity, IFRS

(in € thousands)

	Common shares		Share premiums and reserves	Retained Earnings	Other comprehensive income	Profit (loss) for the period	Total attributable to shareholders business activity
	Number of shares	Share Capital					
As of June 30, 2015	**38,545,397**	**88,196**	**476,558**	**(491,263)**	**(1,194)**	**(28,083)**	**44,214**
Share-based payments	-	-	159	-	-	-	159
Increase of share capital	-	-	71	-	-	-	71
Profit (loss) for the period	-	-	-	-		(18,291)	(18,291)
Fair value gains on available-for-sale financial assets	-	-	-	-	15	-	15
Actuarial gains/losses on employee benefit provision	-	-	-	-	366	-	366
Interest rate swap	-	-	-	-	13	-	13
As of December 31, 2015	**38,545,397**	**88,196**	**476,788**	**(491,263)**	**(800)**	**(46,374)**	**26,547**
Share-based payments	-	-	-	-	-	-	-
Increase of share capital	-	(49,651)	87	49,651	-	-	87
Allocation of net income 2015	-	-	-	(46,374)	-	46,374	-
Profit (loss) for the period	-	-	-	-	-	(12,153)	(12,153)
Fair value gains on available-for-sale financial assets	-	-	-	-	(2)	-	(2)
Interest rate swap	-	-	-	-	(22)	-	(22)
Net comprehensive income	-	-	-	-	**(24)**	**(12,153)**	(12,177)
At June 30, 2016	**38,545,397**	**38,545**	**476,875**	**(487,986)**	**(824)**	**(12,153)**	**14,457**

Notes to the consolidated financial statements

Foreword

Transgene's (the "Company") consolidated financial statements as of June 30, 2016 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, 2016 includes:

- 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.

Note 1 - Accounting Principles

Accounting basis

The Company's interim financial statements for the six months ended June 30, 2016 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 Company's annual consolidated financial statements for the year ended December 31, 2015, presented in the "Document de référence" submitted to the *Autorité des Marchés Financiers* (AMF) on April 28, 2016.

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, 2016 and are available on the website http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission. The Company has not applied the published accounting principles, interpretations and amendments that are not yet in force.

New standards/amendments applicable for financial years starting on or after January 1, 2016 in Europe:

Standard/Interpretation	Planned date of application by IASB (periods beginning on or after)	Application date European Union (financial years starting on or after)
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	07/01/2014	02/01/2015
Improvements to IFRS (2010-2012)		02/01/2015
IFRS 2 - Definition of vesting conditions	Application to plans with a grant date as of 07/01/2014	''
IFRS 3- Recognition of a contingent consideration in a business combination and amendment to IAS 39/IFRS 9	Application to business combinations as of 07/01/2014	''
IFRS 8 - Aggregation of operating segments	07/01/2014	''

IFRS 8 - Reconciliation of the total of reported segment assets and the entity assets		07/01/2014	‘’
IFRS 13 - Short term receivables and payables		n/a	
IAS 16 - Property, Plant and Equipment - Revaluation method - Proportionate restatement of accumulated depreciation/amortization		07/01/2014	‘’
IAS 24 - Related Party Disclosures - Key management personnel		07/01/2014	‘’
IAS 38 - Property, Plant and Equipment - Revaluation method - Proportionate restatement of accumulated depreciation/amortization		07/01/2014	‘’
Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations		01/01/2016	01/01/2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		01/01/2016	01/01/2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants		01/01/2016	01/01/2016
Annual Improvements to IFRS (2012-2014 cycle)			01/01/2016
IFRS 5- Non-current Assets Held for Sale and Discontinued Operations: Changes to a plan to sell or a plan to distribute to owners		Changes occurring in financial years beginning after January 1, 2016	‘’
IFRS 7- Financial Instruments: Disclosures, management contracts and application of amendments to IFRS 7 to the condensed interim financial statements		01/01/2016	‘’
IAS 19- Employee Benefits: Discount rate – regional market issues	01/01/2016	‘’	
IAS 34- Interim Financial Reporting: information disclosed 'elsewhere in the interim financial report'	01/01/2016	‘’	
Amendments to IAS 1: Disclosure Initiative	01/01/2016	01/01/2016	

Other standards/amendments issued as of June 30, 2016:

Standard/Interpretation	Planned date of application by IASB (periods beginning on or after)	Date of application in the European Union (financial years starting on or after)
IFRS 9 - *Financial Instruments*	01/01/2018	Endorsement expected in Q4 2016
IFRS 15 Revenue from Contracts with Customers & Amendment to IFRS 15 – effective date	01/01/2018	Endorsement expected in Q3 2016
Clarifications to IFRS 15	01/01/2018	Endorsement expected in Q1 2017
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *Effective date of amendments to IFRS 10 and IAS 28*	*Postponed indefinitely*	*Suspended*
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception	01/01/2016	Endorsement expected in Q3 2016
IFRS 16 Leases	01/01/2019	Endorsement expected in 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	01/01/2017	Endorsement expected in Q4 2016
Amendments to IAS 7: Disclosure Initiative	01/01/2017	Endorsement expected in Q4 2016
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01/01/2018	Endorsement expected in H2 2017

The impact on the Company's financial statements of standards, interpretations and amendments applicable on or after January 1, 2016 is not significant.

1.1 Basis of preparation of financial statements

Transgene's management made estimates and assumptions in preparing the financial statements in accordance with IFRS, particularly with respect to estimates and deferred tax assets, that may have an impact on the assets and liabilities, and the reported amounts of income and expenses for the financial period. Actual results may be significantly different from these estimates.

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.

Equity consolidated affiliates consist of the stakes held by Transgene SA in Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. and ElsaLys Biotech SAS (50% and 14.41%, respectively), which are accounted for using the equity method.

Transgene SA's significant influence over ElsaLys Biotech SAS as of June 30, 2016 remained attributable to the continued role of Transgene as a member of ElsaLys's Board of Directors.

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 tables below break down these expenses by type.

1.3.1 Research and development expenses

In € millions	06/30/2016	06/30/2015	Change
Payroll costs	4.9	7.5	-35%
Share-based payments	0.05	0.2	-75%
Expenses for intellectual property and licensing costs	0.5	0.8	-42%
External expenses for clinical projects	2.5	1.4	75%
External costs on other projects	1.3	2.7	-52%
Operating costs	2.6	3.3	-20%
Depreciation, amortization and provisions	0.8	1.0	-25%
Research and development expenses	**12.5**	**16.9**	**-26%**

1.3.2 General and administrative expenses

In € millions	06/30/2016	06/30/2015	Change
Payroll costs	1.7	1.2	44%
Share-based payments	0.03	0.1	-57%
Professional and management fees	1.0	1.1	-7%
Other fixed costs	0.6	0.6	NS
Depreciation, amortization and provisions	0.1	-	NS
General and administrative expenses	**3.4**	**3.0**	**14%**

1.4 Assets available for sale and discontinued operations

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" outlines how to account for non-current assets held for sale and the disclosures required for discontinued operations.

A non-current asset or group of assets and directly associated liabilities are considered to be held for sale when the carrying amount will largely be covered by a sale. In order for this to apply, the asset must be available for immediate sale and the sale must be highly probable. These available-for-sale assets or disposal groups are measured at the lower of their carrying amount and the estimated disposal price.

A discontinued operation represents a significant business line for the Company that either has been disposed of or is classified as held for sale. The income items related to these discontinued operations are presented on separate lines of the consolidated financial statements for all periods reported.

1.5 Provision for restructuring

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 than unlikely) that a liability will be incurred and (iii) the amount of the liability can be estimated reliably.

The provision for restructuring and the restructuring costs essentially comprise redundancy pay, the cost of failure to provide advance notice, training expenditure, and all other compensation related to support measures for the employees affected by the restructuring measures, including transfers within the Company.
As of June 30, 2016, this restructuring provision was €3.2 million, down from €6.9 million as of December 31, 2015. The Company's commitments to the affected employees should be paid out in full in the next 12 months, and this provision should be reversed in full within this time period.

Note 2 - Cash, cash equivalents and other current financial assets:

In € thousands	06/30/2016	12/31/2015
Cash	4,597	747
Marketable securities	1,011	2,538
Cash and cash equivalents	**5,608**	**3,285**
Other current financial assets	27,760	28,365
Total	**33,368**	**31,650**
Impact of applying the fair value recognized in financial income to the income statement	-	-

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 the Institut Mérieux group.

Note 3 – Other current assets

In € thousands	06/30/2016	12/31/2015
Research tax credit, current portion	8,852	8,288
Government – recoverable VAT and tax receivables	288	386
Accrued credit notes	12	32
Employee benefits expense	316	33
Grant receivable	1,074	1,004
Prepaid expenses, current portion	2,624	513
Other receivables	2,158	2,674
Total	**15,324**	**12,930**

The current portion of the research tax credits relates to 2013 receivables (see Note 8). The French government reimbursed the 2012 research tax credit in the amount of €8,288 thousand during the first half of 2016.

Note 4 – Assets available for sale and discontinued operations

As part of the Company’s restructuring, which was presented to the Works Council at the end of June 2015, Transgene is refocusing on its core expertise and disposing of the bio-production and preliminary development business line located at Illkirch-Graffenstaden.

The site was sold to ABL Europe SAS on February 1, 2016 for €3.5 million. ABL Europe continues to produce clinical batches for Transgene.

All assets available for sale on the Company's balance sheet as of December 31, 2015 have been disposed of.

As of June 30, 2016, the portion of income related to discontinued operations was as follows:

In € thousands	06/30/2016	06/30/2015	Change
Revenue from production operations	**346**	**104**	233%
Payroll costs	(48)	(1,667)	-97%
External costs on other projects	(197)	(68)	190%
Operating costs	(423)	(1,425)	-70%
Depreciation expense			
for property, plant and equipment	(249)	(387)	-36%
for intangible assets	(6)	(38)	-84%
Research and development expenses	**(923)**	**(3,585)**	**-74%**
Depreciation for held for sale assets	-	(2,943)	-100%
Net income from disposals	63	-	-
Net income from discontinued operations	**(514)**	**(6,424)**	**-92%**

Note 5 – Tangible assets

In € thousands	12/31/2015	Increase	Decrease	06/30/2016
Acquisition costs				
Buildings under finance leases	19,653	-	(3 506)	16 147
Land, buildings and fixtures	871	526	-	1 397
Laboratory equipment	9,753	306	(887)	9 172
Vehicles, office and computer equipment	1,656	54	(46)	1 664
Assets in progress	965	100	(141)	924
Total	**32,898**	**986**	**(4 580)**	**29 304**
Depreciation and provisions				
Buildings under finance leases	(9,193)	(427)	3 273	(6 347)
Land, buildings and fixtures	(74)	(271)	-	(345)
Laboratory equipment	(5,848)	(671)	558	(5 961)
Vehicles, office and computer equipment	(1,224)	(112)	42	(1 294)
Total	**(16,339)**	**(1 481)**	**3 873**	**(13 947)**
Net total	**16,559**	**(495)**	**(707)**	**15 357**

The sale of a production site to ABL Europe in Feburary 2016 gave rise to a reclassification between sold assets and assets restated as *available for sale* as of June 30, 2015.

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

In € thousands	06/30/2016	06/30/2015
Research and development expenses	897	864
General and administrative expenses	38	29
Total depreciation expense for property, plant and equipment	**935**	**893**

Note 6– Intangible assets

In € thousands	12/31/2015	Increase	Decrease	06/30/2016
Acquisition costs				
Intangible assets	3,808	396	(6)	4 198
Intangible assets in process	2	-	(2)	-
Total	**3,810**	**396**	**(8)**	**4 198**
Depreciation and amortization of intangible assets	(3,325)	(363)	2	(3 686)
Total	**(3,325)**	**(363)**	**2**	**(3 686)**
Net total	**485**	**33**	**(6)**	**512**

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

In € thousands	06/30/2016	06/30/2015
Research and development expenses	109	157
General and administrative expenses	15	15
Total amortization and depreciation of intangible assets	**124**	**172**

Note 7– Financial assets

7.1 Financial fixed assets

In € thousands	12/31/2015	Increase	Decrease	06/30/2016
Financial fixed assets	3,168	1,698	(932)	3,934
Advances to affiliates	1,177	153	-	1,330
Investments in non-consolidated companies	323	-	-	323
Gross total	**4,668**	**1,851**	**(932)**	**5,588**
Provisions for impairment	(618)	-	95	(523)
Total	**(618)**	**-**	**95**	**(523)**
Net total	**4,050**	**1,851**	**(837)**	**5,064**

The increase in financial assets stems mainly from the retention of bank financing guarantees for the 2015 research tax credit (€1,164 thousand) (see note 9.2), and for the 2016 tax credit for competitiveness and employment (CICE by its French acronym). The other reason for the increase was the establishment of a liquidity contract with Kepler Cheuvreux in June 2016 in the amount of €500 thousand.

The €932 thousand decrease in financial assets relates to the repayment during the first

half of 2016 of the guarantee retained for the 2012 research tax credit.

The increase in advances to affiliates corresponded to an advance on the current account granted to Elsalys Biotech SAS (€153 thousand).

7.2 Investments in associates

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

In € thousands	12/31/2015	Increase	Decrease	06/30/2016
Transgene Tasly (Tianjin) Biopharmaceuticals Co. Ltd.	3,976	-	-	3,976
Elsalys Biotech SAS	501	-	-	501
Total acquisition costs	**4,477**	**-**	**-**	**4,477**
Share of profit/(loss) of Transgene Tasly (Tianjin) Bio- pharmaceutical Co. Ltd.	(2,828)	(414)	-	(3,242)
Share of profit/(loss) of Elsalys Biotech SAS	(501)	-	-	(501)
Total impairment and share of profit (loss) attributable to Transgene	**(3,329)**	(414)	**-**	**(3,743)**
Transgene Tasly (Tianjin) Biopharmaceuticals Co. Ltd.	1,148	(414)	-	734
Elsalys Biotech SAS	-	-	-	-
Net total	**1,148**	**(414)**	**-**	**734**

Note 8 – Other non-current assets

In € thousands	06/30/2016	12/31/2015
Research tax credit, non-current portion	19,621	25,546
Competitiveness and employment tax credit, non-current portion	838	767
Prepaid expenses, non-current portion	129	26
Receivables from the sale of participating interests	1,035	1,260
Other non-current assets	**21,623**	**27,599**

Research tax credit and tax credit for Competitiveness and Employment

The Company had receivables amounting to €28,473 thousand in research tax credits for 2013, 2014, 2015 and the first half of 2016 and €838 thousand in CICE for 2013, 2014, 2015 and the first half of 2016. 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):

Reference Year	Year of expected reimbursement	06/30/2016	12/31/2015
Current portion			
2012	2016	-	8,289
2013	2017	8,852	-
Total current portion		**8,852**	**8,289**
Non-current portion			
2013	2016	-	8,852
2014	2017	8,943	8,943

2015	2018	7,759	7,751
June 30, 2016	2019	2,919	-
Total non-current portion		**19,621**	**25,546**
TOTAL RTC		**28,473**	**33,835**
Non-current portion			
2013	2017	210	210
2014	2018	275	275
2015	2019	282	282
June 30, 2016	2020	71	-
Total non-current portion		**838**	**767**
Total CICE		**838**	**767**

Receivables from the sale of participating interests

The receivable from the sale of participating interests of €2,381 thousand 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, Inc. the payment of which is spread over time and subject to certain conditions. This receivable is distributed between other current assets for the portion expected in under one year, i.e. €1,346 thousand (see Note 3), and other non-current assets for the portion due in over one year, or €1,035 thousand. 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 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 1% 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	06/30/2016	12/31/2015
Financial liabilities, current portion	9,967	9,396
Financial liabilities, non-current portion	53,169	44,401
Financial liabilities	**63,136**	**53,797**

9.1 Financial liabilities, current portion

In € thousands	06/30/2016	12/31/2015
Property lease (see Note 9.2)	998	979
Equipment leasing	117	174
Financing of the 2013 research tax credits (see Note 9.2)	8,852	8,243
Financial liabilities - current portion	**9,967**	**9,396**

9.2 Financial liabilities, non-current portion

In € thousands	06/30/2016	12/31/2015
Property leasing	7,776	8,280
Equipment leasing	88	216
Interest rate swap - fair value (see Note 22)	566	544

Conditional advances	17,152	16,844
Financing of 2014 and 2015 research tax credits	16,620	17,712
Financing of 2013to 2016 CICE	946	805
European Investment Bank (EIB) loan	10,021	-
Financial liabilities - non-current portion	**53,169**	**44,401**

Property leasing

	06/30/2016		12/31/2015	
	Minimum payments	Present value of the payments	Minimum payments	Present value of the payments
Due within one year	1,099	1,077	1,085	1,065
Due in one to five years	8,123	7,542	4,646	4,349
Total future minimum lease payments	9,222	8,618	9,761	8,910
Finance costs included in the total	448	426	502	471
Outstanding principal:	8,774	8,192	9,259	8,439
of which current	*998*	*978*	*979*	*961*
of which non-current	*7,776*	*7,214*	*8,280*	*7,478*

Conditional advances

As of June 30, 2016, conditional advances of €15,941 thousand related to the repayable advances received under the ADNA (Advanced Diagnostics for New Therapeutic Approaches) program, which receives public funding from Bpifrance.

Financing of research tax credit 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**	**TOTAL**	**Financing** ***Financial liabilities***		**TOTAL**
LYear	**Gross Amount**	**Bank Financing**	**Current portion**	**Non-current portion**	***Financial fixed assets***	**Assets**	**Current portion**	**Non-current portion**	**Liabilities**
RTC 2013	**8,852**	Yes	8,852	-	885	**9,737**	8,852	-	8,852
RTC 2014	**8,943**	Yes	-	8,943	886	**9,829**	-	8,861	8,861
RTC 2015	**7,759**	Yes	-	7,759	1,164	**8,922**	-	7,759	7,759
RTC 2016	**2,919**	**Non**	-	2,919	-	**2,919**	-	-	-
TOTAL RTC	**28,472**		**8,852**	**19,620**	**2,935**	**31,407**	**8,852**	**16,620**	**25,472**
CICE 2013	**210**	Yes	-	210	10	**220**	-	210	210
CICE 2014	**275**	Yes	-	275	48	**323**	-	320	320
CICE 2015	**282**	Yes	-	282	41	**324**		275	275
CICE 2016	**141**	**Yes**	-	71	21	**92**	-	141	141
TOTAL CICE	**909**		**-**	**838**	**121**	**959**	**-**	**946**	**946**

European Investment Bank (EIB) loan

At the start of January 2016, the Company entered into a €20 million loan facility with the European Investment Bank (EIB) under the IDFF (Infectious Diseases Finance Facility) program. This is a five-year facility with principal and interest repayable only from the fourth year.

The first €10 million tranche was drawn down on June 20, 2016.

The principal is repayable in full in a single bullet payment at the end of the five-year term, on June 20, 2021. Interest on the loan is not capitalized and is repayable as of June 2019, specifically for the interest accrued during the first three years. Accrued interest at June 30, 2016 was recognized under *Non-current financial liabilities* (€21,000).

The second €10 million tranche is expected to be released during the second half of 2016, subject to Transgene either issuing 1.9 million new shares or obtaining €8 million in loans or share capital from its shareholders.
No other guarantees have been given by the Company relative to this loan.

Note 10 – Other liabilities

Other current liabilities

In € thousands	**06/30/2016**	**12/31/2015**
Accrued taxes, employee benefit expense and other	2,762	3,110
Prepaid income, of which:	506	571
• *Collaboration revenue*	*506*	*555*
• *Research and development grants*	-	*16*
Other short-term payables	88	89
Total	**3,356**	**3,770**

Note 11 – Employee benefits

11.1 Provisions for retirement benefit obligations

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 statutory length-of-service awards payable to employees in France upon retirement. 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:

	06/30/2016	**06/30/2015**
Discount rate	2.35%	2.25%

Rate of future salary increases	1.50%	2.00%
Retirement age: ▪ Managers: ▪ Non-managers:	 age 65 age 63	 age 65 age 63

Transgene agreed under the 2015 employment protection plan that employees reassigned to a Mérieux Group company could transfer their length of service in the company. Accordingly, the share of the pension obligations arising from their work at Transgene has been maintained in this provision.

Note 12 – Equity

12.1 Share Capital

As of June 30, 2016, Transgene had 38,545,397 shares outstanding representing a share capital of €38,545,397.
The General Shareholders' Meeting on May 24, 2016 voted to reduce the share capital from €88,195,793.51 to €38,545,297 – a reduction of €49,650,496.51 – resulting in a new par value of €1 share. The capital reduction was set off against the losses reported for the fiscal year ended on December 31, 2015, allocated to retained earnings, reducing the amount of the deficit from €535,050,617.46 to €485,400,221.97.

12.2 Net income/(loss) per share

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

	06/30/2016	06/30/2015
Basic earnings/(loss) per share		
Available net profit attributable to equity holders of the Group (in € thousands)	(12,153)	(28,083)
Average number of shares outstanding	38,545,397	38,545,397
Basic earnings per share (in €)	**(0.32)**	**(0.73)**
Diluted earnings per share (in €)	**(0.32)**	**(0.73)**

In the first half of 2015 and 2016, 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 2016 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 2016. The number of options outstanding at December 31, 2015 amounted to 1,000,826 of which 949,576 were exercisable. No change has occurred since this date.

The cost of services rendered is recognized as an expense over the vesting period. The expense was €36 thousand in the first half of 2016, compared with €196 thousand in the first half of 2015.

12.4 Free share plans

On May 24, 2016, Transgene's Board of Directors voted to allocate 205,459 new free shares to employees. The total free shares grant was 41,130 shares at December 31, 2015. No free shares were vested in the first half of 2016.

The cost of services rendered is recognized as an expense over the vesting period. The expense was €50 thousand in the first half of 2016 and €35 thousand in the first half of 2015.

Note 13 – Operating income

13.1 Revenue from collaborative and licensing agreements

In € thousands	06/30/2016	06/30/2015
Revenue from research and development collaborations	332	518
License fees and royalties	1,573	259
Total	**1,905**	**777**

13.2 Government financing for research expenditure

In € thousands	06/30/2016	06/30/2015
Research and development grants	85	170
Research tax credits, net	2,885	4,308
Total	**2,970**	**4,478**

The gross research tax credit, excluding advisory fees, for the first half of 2016 was €2,919 thousand.

Note 14 – Other operating income and expenses

In € thousands	06/30/2016	06/30/2015
Other income from disposals	112	-
Other income	80	355
Total other income	**192**	**355**
Net carrying value of disposals of fixed assets	(128)	(6)
Provisions for restructuring	272	(5,885)
Other expenses	-	-
Total other expenses	**144**	**(5,891)**
Total	**336**	**(5,536)**

Note 15 – Finance cost

In € thousands	06/30/2016	06/30/2015

Investment income	21	18
Debt servicing costs	(198)	(284)
Net interest income	**(177)**	**(266)**
Other financial income/(expense)	(330)	(682)
Foreign exchange gains/(losses)	(19)	65
Total	**(349)**	**(616)**
Finance cost	**(526)**	**(882)**

Note 16 – Income tax expense

16.1. Current taxes

Since the Company is in a tax loss position, it does not pay corporate income tax. The US and Chinese subsidiaries did not recognize any current tax income or expense in 2015 or 2016.

16.2 Deferred taxes

No deferred tax assets were recognized at June 30, 2016, due to the uncertainty of taxable income being generated over the next three years.

Note 17 – Personnel

17.1. Workforce

The Company employed a total of 146 employees (excluding employees being transferred) at June 30, 2016, including one person for Transgene Inc. and one for Transgene Shanghai. The Group had 266 employees at December 31, 2015.

At June 30, 2016	Men	Women	Total
Managers	40	69	109
Other grades	10	27	37
Total	**50**	**96**	**146***

* *Including 134 open-ended employment contracts at June 30, 2016*

64 employees were on leave at June 30, 2016 pending transfer under the employment protection. As they are no longer counted as part of the active workforce, they are not included in the table above.

17.2. Payroll costs

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

In € thousands	06/30/2016	06/30/2015
Research and development expenses	5,266	7,714
General and administrative expenses	1,773	1,322
Total employee benefits expenses	**7,039**	**9,036**

Expenses relating to share-based payments amounted to:

In € thousands	06/30/2016	06/30/2015
Research and development expenses	49	155
General and administrative expenses	33	76
Total	**82**	**231**

Note 18 - Affiliated companies

Transgene signed a cash pooling agreement with Institut Mérieux. The cash invested in Institut Mérieux's cash pooling agreement represented a receivable of €27,760 thousand at June 30, 2016. Interest income at June 30, 2016 was €15 thousand.

The table below does not include these cash items.

	06/30/2016	
In € thousands	**Receivables**	**Payables**
BioMérieux SA[(1)]	-	(7)
BioMérieux China	-	1
Institut Mérieux[(2)]	-	27
ABL, Inc,[(3)]	-	-
ABL Europe SAS[(4)]	2,149	85
BioMérieux, Inc.[(3)]	-	29
Transgene Tasly [(5)]	33	-
ElsaLys Biotech SAS[(6)]	1,135	-
Platine Pharma Services SAS	295	-
Mérieux Développement	5	-
Mérieux Université	-	-
Total	**3,617**	**135**

	06/30/2016	
In € thousands	**Revenue**	**Expenses**
BioMérieux SA[(1)]	-	(5)
BioMérieux China	-	140
Institut Mérieux[(2)]	-	232
ABL, Inc,[(3)]	-	4
ABL Europe SAS[(4)]	4,720	2,646
BioMérieux, Inc.[(3)]	-	442
Transgene Tasly[(5)]	107	-
ElsaLys Biotech SAS[(6)]	26	-
Platine Pharma Services SAS	-	171
Thera Conseil	-	-
Mérieux Développement	5	-
Mérieux Université	-	8
Total	**4,858**	**3,638**

(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 correspond to the agreement for services, re-invoicing of staff and rent between Transgene, Inc. and BioMérieux, Inc.

(4) Revenue relates to the sale of the site to ABL, and expenses related to service provision for Transgene

(5) Revenue relates to consulting contracts between Transgene SA and Transgene Tasly BioPharmaceuticals Co. Ltd.

(6) 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

In the context of the sale of its prodcution site to the company ABL Europe in February 2016, Transgene entered into an agreement with ABL Europe securing the supply of clinical production batches for three years. This agreement commits Transgene to placing orders of €3 million per year over the next three years. Transgene has entered into additional agreements with subcontractors that could have an impact over several accounting periods.

As of June 30, 2016, the Company estimated the current value of its financial commitments under these agreements to be approximately €18 million.

Note 20 – Segment information

The Company conducts its business exclusively in the research and clinical development of therapeutic vaccines and immunotherapeutic products, none of which is currently on the market. The main partners with which it generated revenue in the first half of 2016 were Sillajen, Inc. and Emergent, Inc. The majority of its operations are located in France. The Company therefore uses only one sector for the preparation and presentation of its financial statements.

Note 21 – Breakdown of assets and liabilities by maturity

June 30, 2016

Assets (in € thousands)	Gross amount	One year or less	More than one year
Financial fixed assets	3,935	896	3,039
Trade receivables	2,384	2,384	-
Research tax credits, tax credit for competitiveness and employment	29,310	9,062	20,248
Government, VAT and other local authorities	289	289	-
Personnel and related accounts	316	316	-
Prepaid expenses	2,753	2,624	129
Grant receivable	1,074	224	850
Receivables from the sale of assets	3,193	2,158	1,035
Other receivables	13	13	-
Total assets	**43,267**	**17,966**	**25,301**

Liabilities (in € thousands)	Gross amount	One year or less	More than one year and 5 years or less	More than five years
Conditional advances	17,152	180	-	16,972
Trade payables	6,985	6,985	-	-
Property leasing	8,774	998	4,277	3,499
Equipment leasing	205	117	88	-
Financing of RTC and CICE	26,418	8,852	17,566	
EIB loan financing	10,021	-	10,021	-
Provisions for risks and liabilities	3,249	3,249	-	-
Provisions for retirement	3,335	-	738	2,597
Accrued employee benefits and tax expense	2,762	2,762	-	-
Prepaid income	506	506	-	-
Other liabilities	653	87	-	566
Total liabilities	**80,060**	**23,736**	**32,690**	**23,634**

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, 2016, the market value of this hedging instrument was negative at €566 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, 2016 **In € thousands**	Financial assets at fair value through profit or loss	Assets available for sale	Receivables, payables, borrowings, at amortized cost	Derivative instruments	Carrying value	Fair value	Level
FINANCIAL ASSETS							
Cash and cash equivalents	**5,608**	**-**	**-**	**-**	**5,608**	**5,608**	1
Other current financial assets	**29,918**	**-**	**-**	**-**	**29,918**	**29,918**	2
Trade receivables	**-**	**-**	**2,384**	**-**	**2,384**	**2,384**	-
Financial fixed assets	-	-	*3,934*	-	3,935	3,935	-
Receivable on non-current financial assets	-	-	*1,130*	-	1,130	1,130	*2*
Financial fixed assets	**-**	**-**	**5,064**	**-**	**5,065**	**5,065**	2
Investments in associates	**-**	**-**	**734**	**-**	**734**	**734**	3
Other non-current assets	**1,035**	**-**	**-**	**-**	**1,035**	**1,035**	-
TOTAL FINANCIAL ASSETS	**36,561**	**-**	**13,248**	**-**	**49,809**	**49,809**	
FINANCIAL LIABILITIES							
Borrowings from credit institutions, long-term portion	-	-	*27,587*	-	27,587	27,587	2
Lease commitment, long-term portion	-	-	*7,863*	-	7,863	7,863	2
Conditional advances	-	-	*17,152*	-	17,152	17,152	2
Other non-current financial liabilities	-	-	-	*566*	566	566	2
Non-current financial liabilities	**-**	**-**	**52,602**	**566**	**53,168**	**53,168**	-
Borrowings from credit institutions, short-term portion	-	-	*8,852*	-	8,852	8,852	2
Finance leasing, short-term portion	-	-	*1,115*	-	1,115	1,115	2
Current financial liabilities	**-**	**-**	**9,967**	**-**	**9,967**	**9,967**	-
Trade payables	**-**	**-**	**6,985**	**-**	**6,985**	**6,985**	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**69,554**	**566**	**70,120**	**70,120**	

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

2. Financial highlights and management discussion and analysis

2.1. Key events since January 1, 2016

In early January 2016, the first patient was treated in a randomized Phase 3 study of Pexa-Vec in patients with advanced liver cancer, also known as hepatocellular carcinoma (HCC). This trial is being led by Transgene's partner, SillaJen, Inc. The trial is evaluating the use of Pexa-Vec to treat HCC patients who are eligible for treatment with sorafenib (Nexavar®), the only approved drug for advanced HCC. The study, named the PHOCUS trial, is designed to enroll 600 patients who have not received prior systemic treatment for their cancer. Patients will be randomized 1:1 to one of two treatment groups: one which will receive Pexa-Vec followed by sorafenib and one which will receive sorafenib alone. The study will be conducted at approximately 140 sites worldwide, including in North America, Asia, Australia and Europe.

At the start of January 2016, the Company entered into a €20 million loan facility with the European Investment Bank (EIB) under the IDFF *(*Infectious Diseases Finance Facility) program. This is a five-year facility with principal and interest repayable only from the fourth year. It will be drawn down in two tranches in 2016 at the Company's request and no security has been provided. The first €10 million tranche was drawn down in June 2016.

Also in January, Transgene's leading shareholder, Institut Mérieux, confirmed its support for the Company's strategy and committed to providing approximately €10 million in additional financing. The terms and conditions for releasing this funding will be finalized during the year.

In February, the Company announced the sale of the assets at its bio-manufacturing site to ABL Europe SAS for a total of €3.5 million. ABL Europe is now the sub-lessee of the main Transgene building to guarantee the quality control of the batches produced in dedicated labs. The two companies have also agreed a three-year contract under which Transgene has secured production of the necessary batches for its clinical development plan. Transgene's sale of its production asset finalized the reorganization undertaken by the Company in June 2015. One of the main components of the reorganization was to outsource the manufacturing of clinical batches.

In April 2016, at the Annual Meeting of the American Association for Cancer Research (AACR) held in New Orleans (USA), Transgene presented a poster with preclinical data of an internally-developped new generation of immunotherapy consisting of oncolytic viruses aremed with anti-cancer genes.

The Company entered into a liquidity contract with Kepler Cheuvreux in June 2016.

In July 2016, Transgene announced that it would continue its Phase 1/1b study of TG1050 in chronic hepatitis B (HBV) patients on the recommendation of the trial's Safety Review Committee.

2.2. Financial results:

Operating income:

The table below breaks down revenue from continuing operations for the first half of 2016 compared to the same period in 2015:

In € millions	06/30/2016	06/30/2015
Revenue from collaborative and licensing agreements	1.9	0.8
Government financing for research expenditure	3.0	4.5
Operating income	4.9	**5.3**

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 €0.2 million in the first half of 2016 compared to €0.3 million for the same period in 2015;
- Income related to commercial use of technologies or products provided under license by Transgene, amounting to €1.6 million in H1 2016. This mainly comprised a non-recurrent compensation of €1.3 million paid by Sanofi Chimie under the terms of the 1991 cooperation agreement between the two companies. This income was €0.3 million in the same period in 2015.

For the first half of 2016, government financing for research expenditures consisted of subsidies received or accrued, as well as the research tax credit. Research subsidies amounted to €0.1 million in the first half of 2016, versus €0.2 million in the same period in 2015. The research tax credit was €2.9 million in the first half of 2016 compared to €4.3 million for the same period in 2015. The research tax credit for the first half of 2016 was calculated on the eligible expenses as of June 30, 2016.

Operating expenses:

Research and development (R&D) expenses for continuing operations amounted to €12.5 million in the first half of 2016 compared to €16.9 million for the same period in 2015.

The following table outlines research and development expenses:

In € millions	06/30/2016	06/30/2015	Change
Payroll costs	4.9	7.5	-35%
Share-based payments	0.05	0.2	-75%
Expenses for intellectual property and licensing costs	0.5	0.8	-42%
External expenses for clinical projects	2.5	1.4	75%
External costs on other projects	1.3	2.7	-52%
Operating costs	2.6	3.3	-20%
Depreciation, amortization and provisions	0.8	1.0	-25%
Research and development expenses	**12.5**	**16.9**	**-26%**

Employee benefits expenses for R&D personnel (salaries and related charges and expenses, as well as share-based payments) amounted to €4.9 million in the first half of 2016 compared to €7.5 million for the same period in 2015. The majority of this reduction was due to the restructuring decided last June, and the resulting lower headcount.

Intellectual property expenses came in at €0.5 million, down by €0.3 million, compared with the same period in 2015.

External expenses for clinical trials, such as trials with TG4010, Pexa-Vec and TG1050, amounted to €2.5 million for the first half of 2016 compared to €1.4 million for the same

period in 2015.

External expenses for other projects (research, preclinical and industrial projects) totaled €1.3 million in the first half of 2016, versus €2.7 million for the same period in 2015. The lower amount can be explained by the fact that there were no payments to Genzyme in the first half of 2016, while payments in 2015 were €1.4 million under the cooperation agreement to develop a unit for the production of commercial batches.

Operating expenses, including costs to operate research laboratories, amounted to €2.6 million in the first half of 2016 compared to €3.3 million for the same period in 2015.

This reduction results primarily from the decrease in consumables by labs, following the restructuring decided upon in June 2015.

General and administrative expenses amounted to €3.4 million in the first half of 2016 compared to €3.0 million for the same period in 2015.

The following table outlines overhead expenses by type of expense:

In € millions	**06/30/2016**	**06/30/2015**	**Change**
Payroll costs	1.7	1.2	44%
Share-based payments	0.03	0.1	-57%
Professional and management fees	1.0	1.1	-7%
Other fixed costs	0.6	0.6	NS
Depreciation, amortization and provisions	0.1	0.0	NS
General and administrative expenses	**3.4**	**3.0**	**14%**

At €1.7 million in the first half of 2016, payroll costs were up from €1.2 million in the same period in 2015, mainly due to the transfer of the Chairman and Chief Executive Officer's home entity.

External expenses, including fees and management expenses, amounted to €1.0 million in the first half of 2016 compared to €1.1 million for the same period in 2015.

Other revenue and expenses, net:

Other net income was €0.4 million in the first half of 2016, compared with an expense of €5.5 million for the same period in 2015, which included a provision for restructuring in the amount of €5.9 million.

Financial income (expense):

Net interest expense amounted to €0.5 million in the first half of 2016 compared to an expense of €0.9 million for the same period in 2015.

Financial income (investment income) was €21 thousand in the first half of 2016 compared to €18 million for the same period in 2015.

The main financial costs related to bank interest on refinancing the research tax credit and the tax credit for competitiveness and employment in the amount of €0.1 million, the discounting of advances received by the BPI under the ADNA (Advanced Diagnostics for New Therapeutic Approaches) program for €0.3 million, and €0.1 million in interest for property leasing.

Net income/(loss) from continuing operations:

Net loss from continuing operations was €11.6 million in the first half of 2016 compared to €21.7 million for the same period in 2015.

Net income/(loss) from discontinued operations:

Net loss from discontinued manufacturing operations amounted to €0.5 million in the first half of 2016 compared to €6.4 million for the same period in 2015.

This net loss breaks down as follows:

- €0.9 million in expenditure in the first half of 2016, compared to €. 3.6 million for the same period in 2015
- €0.3 million in revenue from production in the first half of 2016 compared to €0.1 million for the same period in 2015
- Production assets were sold to ABL Europe for €3.5 million on February 1, 2016.

Net comprehensive income:

Net comprehensive loss was €12.2 million for the first half of 2016, compared to €28.1 million at the same period in 2015.

Net loss per share was €0.32 for the first half of 2016, compared to €0.73 at the same period in 2015.

Investments:

Investments in tangible and intangible assets (net of disposals) amounted to €0.1 million for the first half of 2016, compared to €0.4 million for the same period in 2015.

Repayable advances and loans:

No repayable advances were received by the Company in the first half of 2016.

In the first half of 2016, the Company refinanced its 2015 research tax credit of €7.8 million. To this effect, it took out a bank loan with Bpifrance that matures in mid-2019, at which time the receivable is expected to be paid by the French government. The tax credit for competitiveness and employment was also financed in first-half 2016 in the amount of €0.1 million through a loan from the BPI (which matures in mid-2019).

In June 2016, Transgene drew down the first tranche of a loan granted by the European Investment Bank (EIB) in January 2016. This first €10 million tranche out of a total €20 million is payable in 2019. The interest accrued is payable starting in 2018.

Liquidity and capital resources:

Cash assets are invested in very short-term mutual funds or invested at market conditions in a cash pool organized by Institut Mérieux, the majority shareholder of Transgene.

At June 30, 2016, Transgene had €33.4 million in cash and cash equivalents compared to €31.7 million at December 31, 2015.

Net cash burn:

Transgene's cash burn was €8.2 million in the first half of 2016 (excluding the EIB loan), compared with €13.0 million in the same period in 2015.

Transgene confirms its target net cash burn of approximately €35 million for 2016.

2.3. Related party transactions

This information is disclosed in Note 18 of the 2016 interim financial statements published herein.

Note 24 – Events after the reporting period

None

3. Statutory Auditors' report on the 2016 interim financial information

GRANT THORNTON ERNST & YOUNG et Autres

Transgene S.A.
For the period from January 1 to June 30, 2016

Statutory Auditors' report
on the interim financial information

GRANT THORNTON
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Statutory Auditors
Member of the Compagnie
Régionale de Lyon

ERNST & YOUNG et Autres
Tour Oxygène
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S.A.S with variable capital

Statutory Auditors
Member of the Compagnie
Régionale de Versailles

Transgene S.A.
For the period from January 1 to June 30, 2016

Statutory Auditors' report
on the interim financial information

Dear 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, 2016;

- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. 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 1, 2016

The statutory auditors - French original signed by

GRANT THORNTON	ERNST & YOUNG et Autres
Françoise Méchin	Marc-André Audisio

4. Declaration by the person responsible for the information

DECLARATION BY THE PERSON RESPONSIBLE FOR THE INFORMATION

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.

Illkirch, September 1, 2016

Philippe Archinard
Chairman and Chief Executive Officer