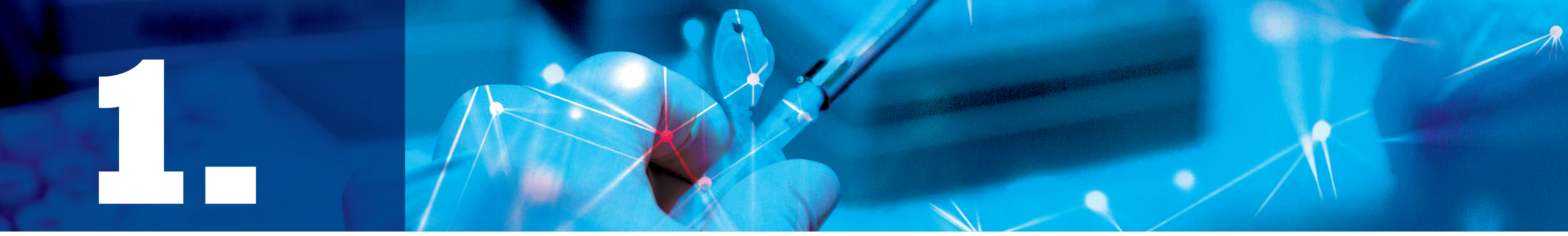
transgene

INTERIM FINANCIAL REPORT • JUNE 30, 2017



2017 INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET, IFRS, (in € thousands)

ASSETS	NOTE	06/30/2017	12/31/2016
CURRENT ASSETS			
Cash and cash equivalents	2	3,091	4,855
Other current financial assets	2	40,852	51,352
Cash, cash equivalents and other current financial assets	**2**	**43,943**	**56,207**
Trade receivables		2,499	2,385
Inventories		194	221
Other current assets	3	14,094	15,242
Assets available for sale	4	-	-
TOTAL CURRENT ASSETS		**60,730**	**74,055**
NON-CURRENT ASSETS			
Property, plant and equipment	5	14,054	14,580
Intangible assets	6	330	423
Non-current financial assets	7	4,229	5,023
Investments in associates	7	3,625	3,923
Other non-current assets	8	18,900	24,946
TOTAL NON-CURRENT ASSETS		**41,138**	**48,895**
TOTAL ASSETS		**101,868**	**122,950**

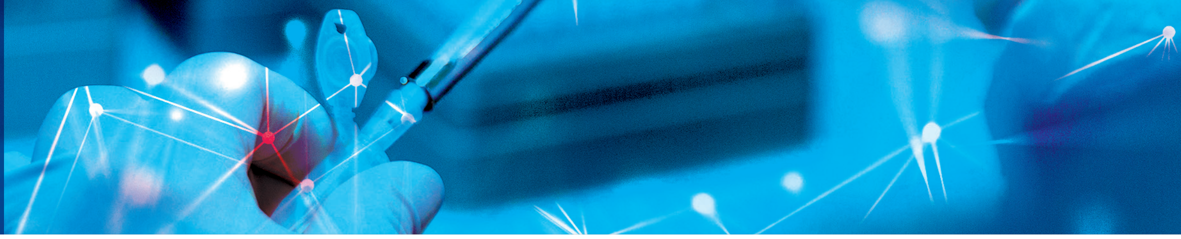
LIABILITIES AND EQUITY	NOTE	06/30/2017	12/31/2016
CURRENT LIABILITIES			
Trade payables		4,394	4,504
Current financial liabilities	9	10,275	10,198
Provisions for risks	10	536	1,456
Other current liabilities	11	4,204	3,761
TOTAL CURRENT LIABILITIES		**19,409**	**19,919**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	9	50,044	52,803
Employee benefits	12	3,874	3,725
TOTAL NON-CURRENT LIABILITIES		**53,918**	**56,528**
TOTAL LIABILITIES		**73,327**	**76,447**
EQUITY			
Share capital	13	56,432	56,432
Share premiums et reserves		504,555	504,248
Retained Earnings		(513,194)	(487,987)
Profit/(loss) for the period		(18,346)	(25,207)
Other comprehensive income/(loss)		(906)	(983)
TOTAL EQUITY ATTRIBUTABLE TO COMPANY SHAREHOLDERS		**28,541**	**46,503**
TOTAL EQUITY AND LIABILITIES		**101,868**	**122,950**

CONSOLIDATED INCOME STATEMENT, IFRS (in € thousands, except for per-share data)

	NOTE	06/30/2017	06/30/2016
Revenue from collaborative and licensing agreements	14	472	1,905
Public funding for research expenses	14	3,028	2,970
Other income	15	398	464
OPERATING INCOME		**3,898**	**5,339**
Research and development expenses	1.3.1	(16,855)	(12,504)
General and administrative expenses	1.3.2	(3,066)	(3,406)
Other expenses	15	(107)	(128)
NET OPERATING EXPENSES		**(20,028)**	**(16,038)**
OPERATING INCOME/(LOSS)		**(16,130)**	**(10,699)**
Net finance cost	16	(981)	(526)
Share of profit/(loss) of associates	7	(1,235)	(414)
INCOME/(LOSS) BEFORE TAX		**(18,346)**	**(11,639)**
Income tax expense	17	-	-
NET INCOME/(LOSS)		**(18,346)**	**(11,639)**
NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS	**1.4,4**	**-**	**(514)**
COMPREHENSIVE NET INCOME/(LOSS)		**(18,346)**	**(12,153)**
Basic loss per share (€)	13	(0.33)	(0.32)
Diluted earnings per share (€)	13	(0.33)	(0.32)

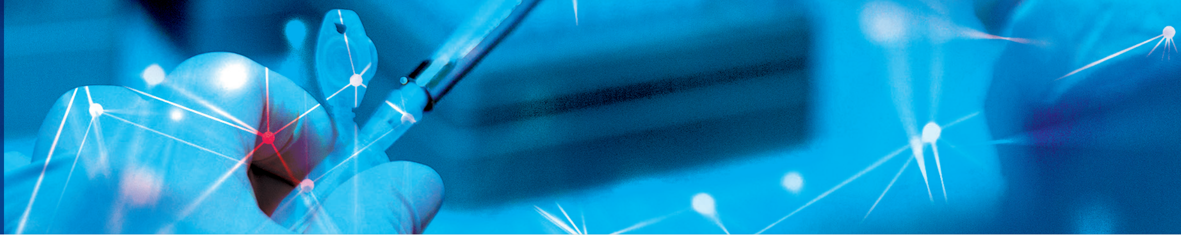
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS (in € thousands)

	06/30/2017	06/30/2016
NET INCOME/(LOSS)	**(18,346)**	**(12,153)**
Foreign exchange gains/(losses)	(2)	(2)
Revaluation of hedging instruments	79	(22)
OTHER COMPREHENSIVE INCOME RE-CLASSIFIABLE INTO PROFIT OR LOSS	**77**	**(24)**
NET COMPREHENSIVE INCOME/(LOSS)	**(18,269)**	**(12,177)**
Of which, attributable to parent company	(18,269)	(12,177)
Of which, minority interests	-	-



CASH FLOW STATEMENT, IFRS (in € thousands)

	NOTE	06/30/2017	06/30/2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net income/(loss) from continuing operations		(18,346)	(11,638)
Net income/(loss) from discontinued operations		-	(514)
Cancellation of financial income		981	526
ELIMINATION OF NON-CASH ITEMS			
Income of associates		1,235	414
Provisions		(770)	(6,593)
Depreciation	5, 6, 7	747	1,291
Share-based payments	18.2	218	87
Other	15	18	6,220
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL AND OTHER OPERATING CASH FLOW		**(15,917)**	**(10,207)**
CHANGE IN OPERATING WORKING CAPITAL REQUIREMENTS			
Current receivables and prepaid expenses	22	(78)	(2,186)
Inventories and work in progress		27	1,013
Research tax credit (RTC)	14.2	(3,113)	(2,997)
Disposal of available-for-sale assets	4	-	2,000
Other current assets	3	1,119	(2,347)
Trade payables	22	(408)	414
Prepaid income	11	1,026	(65)
Employee benefits	12	(563)	(348)
Other current liabilities	11	(20)	(2)
NET CASH USED IN OPERATING ACTIVITIES		**(17,927)**	**(14,725)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Acquisitions)/disposals of property, plant and equipment	5	160	159
(Acquisitions)/disposals of intangible assets	6	(10)	(4)
Other (acquisitions)/disposals	7	10	330
NET CASH USED IN INVESTING ACTIVITIES		**160**	**485**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net financial income/(loss) proceeds	16	(239)	(130)
Gross proceeds from the issuance of shares	16	-	-
Conditional subsidies	9.2	29	-
(Acquisition)/disposal of other financial assets	2	10,499	605
Net amounts received for financing of tax credits	9	6,294	6,760
Bank borrowing	9	-	10,000
Financial leases	9	(578)	(670)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**16,005**	**16,566**
Effect of changes in exchange rates on cash and cash equivalents		(2)	(2)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,764)**	**2,324**
Cash and cash equivalents at beginning of period		4,855	3,285
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**3,091**	**5,609**
Investments in other current financial assets		40,852	27,760
CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS		**43,943**	**33,369**



STATEMENT OF CHANGES IN EQUITY, IFRS (in € thousands)

	COMMON SHARES		SHARE PREMIUMS ET RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME/(LOSS)	PROFIT/(LOSS) FOR THE PERIOD	TOTAL ATTRIBUTABLE TO SHAREHOLDERS' BUSINESS ACTIVITY
	NUMBER OF SHARES	SHARE CAPITAL					
JUNE 30, 2016	**38,545,397**	**38,545**	**476,875**	**(487,987)**	**(824)**	**(12,153)**	**14,456**
Share-based payments	37,550	38	266	-	-	-	304
Increase of share capital	17,849,044	17,849	27,214	-	-	-	45,063
Liquidity contract	-	-	(107)	-	-	-	(107)
Profit/(loss) for the period	-	-	-	-	-	(13,054)	(13,054)
Fair value gains on available-for-sale financial assets	-	-	-	-	2	-	2
Actuarial gains/losses on employee benefit provision	-	-	-	-	(251)	-	(251)
Interest rate swap	-	-	-	-	90	-	90
AS OF DECEMBER 31, 2016	**56,431,991**	**56,432**	**504,248**	**(487,987)**	**(983)**	**(25,207)**	**46,503**
Share-based payments	-	-	-	-	-	-	-
Increase of share capital	-		218	-	-	-	218
Liquidity contract	-	-	89	-	-	-	89
Allocation of net income/(loss) 2016	-	-	-	(25,207)	-	25,207	-
Profit/(loss) for the period	-	-	-	-	-	*(18,346)*	*(18,346)*
Fair value gains on available-for-sale financial assets	-	-	-	-	*(2)*	-	*(2)*
Interest rate swap	-	-	-	-	*79*	-	*79*
Net comprehensive income/(loss)	-	-	-	-	77	(18,346)	(18,269)
JUNE 30, 2017	**56,431,991**	**56,432**	**504,555**	**(513,194)**	**(906)**	**(18,346)**	**28,541**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOREWORD

Transgene's (the "Company") consolidated financial statements as of June 30, 2017 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 interim financial statements include:

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

NOTE 1 ACCOUNTING PRINCIPLES

ACCOUNTING BASIS

The Company's interim financial statements for the six months ended June 30, 2017 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, 2016, presented in the "Document de référence" submitted to the Autorité des Marchés Financiers (AMF) on April 13, 2017.

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, 2017 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.

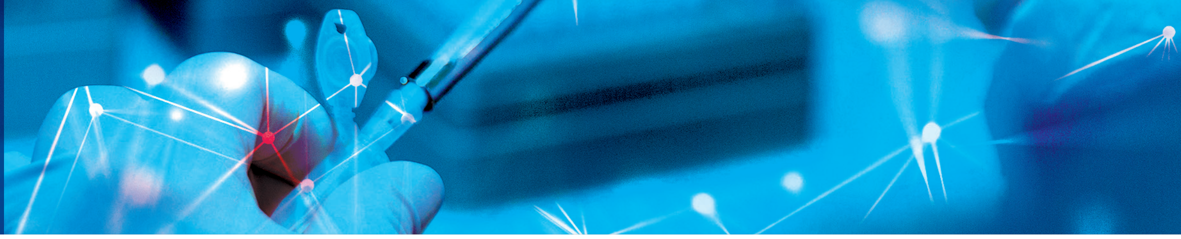
NEW STANDARDS/AMENDMENTS APPLICABLE FOR FISCAL YEARS STARTING ON OR AFTER JANUARY 1, 2017 IN EUROPE:

STANDARD/INTERPRETATION	DATE OF APPLICATION PER IASB (periods beginning on or after)	DATE OF APPLICATION EUROPEAN UNION (Fiscal years beginning)
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	1/1/2017	1/1/2017
Amendments to IAS 7: Disclosure Initiative	1/1/2017	1/1/2017
Contracts Annual Improvements to IFRS (2014-2016 cycle)	-	1/1/2017
Amendments to IFRS 12: Clarification of the scope of the standard	1/1/2017	-

OTHER STANDARDS AND AMENDMENTS PUBLISHED AT JUNE 30, 2017:

STANDARD/INTERPRETATION	DATE OF APPLICATION PER IASB (periods beginning on or after)	DATE OF APPLICATION BY THE EUROPEAN UNION (fiscal years beginning)
IFRS 9 - Financial Instruments	1/1/2018	1/1/2018
IFRS 15 Revenue from Contracts with Customers & effective date of amendments to IFRS 15	1/1/2018	1/1/2018
Endorsement Clarifications to IFRS 15	1/1/2018	Endorsement expected in Q2 2017
Amendments to IFRS10 and IAS28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Effective date of amendments to IFRS10 and IAS 28	Reportée *sine die*	Suspended
IFRS 16 - Leases	1/1/2019	Endorsement expected in Q4 2017
Amendments to IFRS 2: Classification and Measurement of Share-based Payment	1/1/2018	Endorsement expected in Q3 2017
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance	1/1/2018	Endorsement expected in Q3 2017
Contracts Annual Improvements to IFRS (2014-2016 cycle)	-	Endorsement expected in Q3 2017
Amendment to IAS 28: exemption from applying the equity method - measuring an associate or JV at fair value	1/1/2018	ND
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	1/1/2018	Endorsement expected in Q3 2017
Amendments to IAS 40: Transfers of Investment Property	1/1/2018	Endorsement expected in Q3 2017
IFRIC 23 - Uncertainty over Income Tax Treatments	1/1/2019	Endorsement expected in 2018
IFRS 17 - Insurance contracts	1/1/2021	ND

The standards, interpretations, and amendments to standards applicable to fiscal years starting on or after January 1, 2017 have no significant impact on the Company's financial statements. The Company reviewed the potential impacts of IFRS 15 and 9, applicable as of 2018. The Company does not expect this standards to have any major impact on the presentation of its financial statements.



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 provisional 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 20.19%, respectively), which are accounted for using the equity method.

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	06/30/2017	06/30/2016*	CHANGE
Payroll costs	5.8	5.3	+9 %
Share-based payments	0.1	0.05	+159 %
Intellectual property expenses and licensing costs	4.3	0.5	+818 %
External expenses for clinical projects*	3.2	2.8	+12 %
External expenses on other projects*	0.7	0.9	-29 %
Operating costs	1.9	2.2	-13 %
Depreciation, amortization and provisions	0.9	0.8	+22 %
RESEARCH AND DEVELOPMENT EXPENSES	**16.9**	**12.5**	**+35 %**

** Expenses related to the outsourced production of clinical batches were reclassified as «external expenses for clinical projects»*

1.3.2 GENERAL AND ADMINISTRATIVE EXPENSES

IN € MILLIONS	06/30/2017	06/30/2016	CHANGE
Payroll costs	1.6	1.8	-8 %
Share-based payments	0.1	0.03	+175 %
Fees and administrative expenses	0.8	1.0	-21 %
Other fixed costs	0.5	0.5	-7 %
Depreciation, amortization and provisions	0.0	0.1	-7 %
GENERAL AND ADMINISTRATIVE EXPENSES	**3.1**	**3.4**	**-10 %**

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 criteria for recognition of provisions for restructuring are (i) the Company has an obligation to a third party on the balance sheet date, (ii) it is probable (more than probable) that a liability has been incurred, and that (iii) the liability can be reliably estimated.

To meet these criteria, the provision for restructuring is recognized when we estimate that the reorganization plan has been approved and announced to employees by senior management as of the balance sheet date, the measures to be implemented have been identified in detail (number of employees concerned, their job classification, position and location) and the financial compensation provided for. Moreover, the schedule for completion of the restructuring must be relatively short (under one year).

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.

NOTE 2 CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

IN € THOUSANDS	06/30/2017	12/31/2016
Cash	2,076	3,841
Cash equivalents	1,015	1,014
CASH AND CASH EQUIVALENTS	**3,091**	**4,855**
OTHER CURRENT FINANCIAL ASSETS	**40,852**	**51,352**
TOTAL OTHERS	**43,943**	**56,207**
Impact of applying the fair value recognized in financial income to the income statement	-	-

Cash equivalents consist of a time deposit account.

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	06/30/2017	12/31/2016
Research tax credit, current portion	9,218	9,061
Government – recoverable VAT and tax receivables	155	496
Accrued credit notes	62	28
Employee benefits expense	24	28
Grant receivable	862	888
Prepaid expenses, current portion	1,874	1,887
Receivables from the sale of participating interests, current portion	1,899	2,043
Receivables from the sale of fixed assets, current portion	-	811
TOTAL	**14,094**	**15,242**

The current portion of research tax credits represents the amount receivable for 2014 that is expected to be paid by the State in the first half of 2018 (see Note 8).

The receivable from the sale of equity interests is the current portion of the earn-out due on the sale of our interest in Jennerex Inc. to Sillajen, Inc. (see Note 8).

NOTE 4 ASSETS AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

As part of the Company's 2015 restructuring project, Transgene decided to refocus on its core expertise and dispose of the bio-production and preliminary development business line located at Illkirch-Graffenstaden. The production site was sold to ABL Europe SAS («ABL Europe») on February 1, 2016 for €3.5 million. Since then, ABL Europe continues to produce clinical batches for Transgene.

As of June 30, 2017, the portion of income (loss) related to discontinued operations is nil, compared to a loss of €514 thousand on June 30, 2016.

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

IN € THOUSANDS	12/31/2016	Increase	Decrease	06/30/2017
GROSS CARRYING VALUE				
Land	1,771	-	-	1,771
Buildings and fixtures	15,790	7	(4)	15,793
Laboratory equipment	9,923	472	(323)	10,072
Office and computer equipment	1,647	34	(51)	1,630
Assets in progress	141	-	(141)	-
TOTAL	**29,272**	**513**	**(519)**	**29,266**
DEPRECIATION AND PROVISIONS				
Buildings and fixtures	(7,155)	(456)	1	(7,610)
Laboratory equipment	(6,199)	(285)	237	(6,247)
Office and computer equipment	(1,338)	(66)	49	(1,355)
TOTAL	**(14,692)**	**(807)**	**287**	**(15,212)**
NET BOOK VALUE	**14,580**	**(294)**	**(232)**	**14,054**

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

IN € THOUSANDS	06/30/2017	06/30/2016
Research and development expenses	825	897
General and administrative expenses	36	38
TOTAL DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT	861	935

NOTE 6 INTANGIBLE ASSETS

IN € THOUSANDS	12/31/2016	Increase	Decrease	06/30/2017
GROSS CARRYING VALUE				
Intangible assets	4,215	10	-	4,225
Intangible assets in process	-	-	-	-
TOTAL	4,215	10	-	4,225
Depreciation and amortization of intangible assets	(3,792)	(103)	-	(3,895)
TOTAL	(3,792)	(103)	-	(3,895)
NET BOOK VALUE	423	(93)	-	330

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

IN € THOUSANDS	06/30/2017	06/30/2016
Research and development expenses	89	109
General and administrative expenses	14	15
TOTAL AMORTIZATION AND DEPRECIATION OF INTANGIBLE ASSETS	103	124

NOTE 7 FINANCIAL ASSETS

7.1 NON-CURRENT FINANCIAL ASSETS

IN € THOUSANDS	12/31/2016	Increase	Decrease	06/30/2017
Financial assets	3,830	1,051	(909)	3,972
Equity interest receivables	1,393	-	(936)	457
Investments in non-consolidated companies	323	-	-	323
GROSS CARRYING VALUE	5,546	1,051	(1,845)	4,752
Gross carrying value	(523)	-	-	(523)
TOTAL OTHERS	(523)	-	-	(523)
NET BOOK VALUE	5,023	1,051	(1,845)	4,229

The increase in financial assets mainly stems from the retention of bank financing guarantees for the 2016 research tax credit (see Note 9.2), and for the 2017 tax credit for competitiveness and employment (CICE by its French acronym).

The decrease in financial assets relates to the repayment during the first half of 2017 of the guarantee retained for the 2013 research tax credit (€903 thousand).

The decrease in equity interest receivables relates to the conversion into capital of part of the current account held with ElsaLys Biotech SAS (€936 thousand), upon a capital increase by incorporation of receivables in April 2017.

7.2 INVESTMENTS IN ASSOCIATES

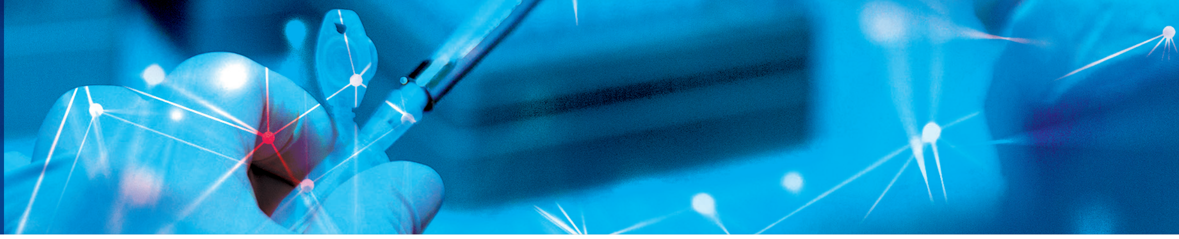
The table below shows the gross amounts (acquisition costs), the impairment provisions and the share of profit (loss) of associates:

IN € THOUSANDS	12/31/2016	Increase	Decrease	06/30/2017
Transgene Tasly (Tianjin) Biopharmaceuticals Co. Ltd.	7,668	-	-	7,668
ElsaLys Biotech SAS	501	936	-	1,437
TOTAL, GROSS	**8,169**	**936**	**-**	**9,105**
Share of profit/(loss) of Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd.	(3,745)	(298)	-	(4,043)
Share of profit/(loss) of ElsaLys Biotech SAS	(501)	(936)	-	(1,437)
TOTAL IMPAIRMENT AND SHARE OF PROFIT (LOSS) ATTRIBUTABLE TO TRANSGENE	**(4,246)**	**(1,234)**	**-**	**(5,480)**
Transgene Tasly (Tianjin) Biopharmaceuticals Co. Ltd.	3,923	(298)	-	3,625
ElsaLys Biotech SAS	-	-	-	-
TOTAL, NET	**3,923**	**(298)**	**-**	**3,625**

In April 2017, Elsalys carried out a capital increase by incorporating the receivables of its legacy shareholders, which resulted in an increase of €936 thousand in Transgene's equity stake.

NOTE 8 OTHER NON-CURRENT ASSETS

IN € THOUSANDS	06/30/2017	12/31/2016
RTC, non-current portion	17,113	22,999
CICE, non-current portion	458	677
Prepaid expenses, non-current portion	256	181
Receivables from the sale of participating interests	1,073	1,089
OTHER NON-CURRENT ASSETS	**18,900**	**24,946**



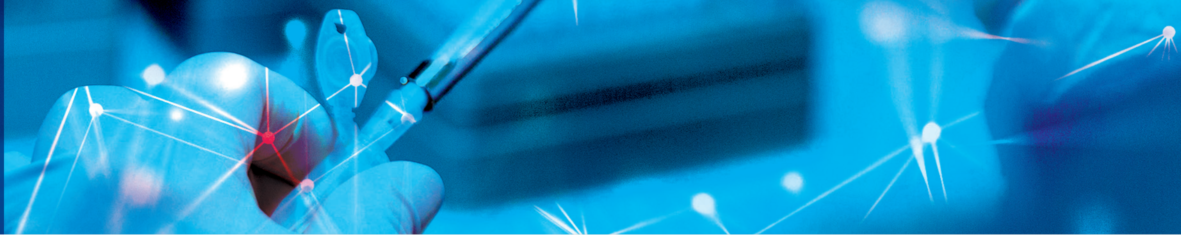
RESEARCH TAX CREDIT AND TAX CREDIT FOR COMPETITIVENESS AND EMPLOYMENT

The Company has receivables amounting to €26,055 thousand in research tax credits for the period 2014-2017 and €734 thousand in CICE for the same period. 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	06/30/2017	12/31/2016
RTC – CURRENT PORTION			
2013	2017	-	8,852
2014	2018	8,943	-
TOTAL CURRENT PORTION		**8,943**	**8,852**
RTC – NON-CURRENT PORTION			
2014	2018	-	8,943
2015	2019	7,758	7,758
2016	2020	6,297	6,298
June 30, 2017	2021	3,057	-
TOTAL NON-CURRENT PORTION		**17,112**	**22,999**
TOTAL CIR		**26,055**	**31,851**
CICE – NON-CURRENT PORTION			
2013	2017	-	210
2014	2018	275	-
TOTAL CURRENT PORTION		**275**	**210**
CICE – NON-CURRENT PORTION			
2014	2018	-	275
2015	2019	282	282
2016	2020	120	120
June 30, 2017	2021	57	-
TOTAL NON-CURRENT PORTION		**459**	**677**
TOTAL CICE		**734**	**887**

RECEIVABLES FROM THE SALE OF PARTICIPATING INTERESTS

The receivable from the sale of participating interests of €2,972 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. €1,899 thousand (see Note 3), and other non-current assets for the portion due in over one year, or €1,073 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	06/30/2017	12/31/2016
Financial liabilities, current portion	10,275	10,198
Financial liabilities, non-current portion	50,044	52,803
FINANCIAL LIABILITIES	**60,319**	**63,001**

9.1 FINANCIAL LIABILITIES, CURRENT PORTION

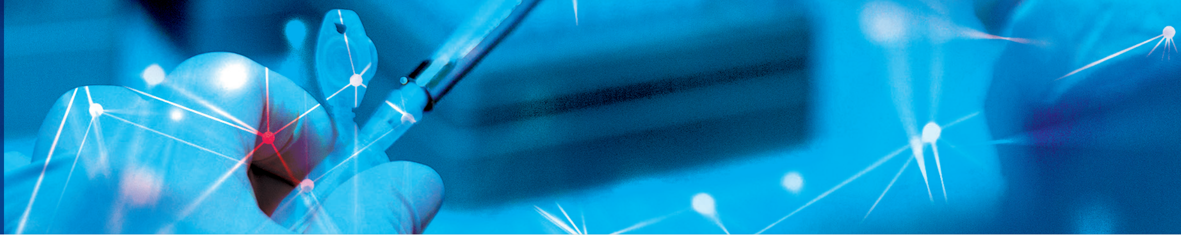
IN € THOUSANDS	06/30/2017	12/31/2016
Property lease (see Note 9.2)	1,040	1,019
Equipment leasing	54	117
Financing of the 2014 research tax credit (see Note 9.2)	9,181	9,062
FINANCIAL LIABILITIES – CURRENT PORTION	**10,275**	**10,198**

9.2 FINANCIAL LIABILITIES, NON-CURRENT PORTION

IN € THOUSANDS	06/30/2017	12/31/2016
Property leasing	6,735	7,261
Equipment leasing	19	30
Interest rate swap - fair value (see Note 23)	396	475
Conditional advances	17,595	17,286
Financing of the research tax credit	14,015	16,619
Financing of the competitiveness and employment tax credit	512	736
Bank loan	10,772	10,396
FINANCIAL LIABILITIES – NON-CURRENT PORTION	**50,044**	**52,803**

PROPERTY LEASING

	06/30/2017		12/31/2016	
	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS
Due within one year	1,129	1,101	1,114	1,098
Due in one to five years	4,383	4,104	4,468	4,248
More than five years	2,611	2,310	3,094	2,790
Total future minimum lease payments	8,123	7,515	8,676	8,135
Finance costs included in the total	347	328	396	379
Outstanding principal:	7,776	7,187	8,280	7,757
- of which current	*1,040*	*1,014*	*1,019*	*1,004*
- of which non-current	*6,736*	*6,173*	*7,261*	*6,753*



CONDITIONAL ADVANCES

As of June 30, 2017, conditional advances of €17,595 thousand mainly related to the repayable advances received under the ADNA (Advanced Diagnostics for New Therapeutic Approaches) program, which receives public funding from Bpifrance. This amount represents the advances received since the start of the program in 2007, i.e. €14,274 thousand plus the cumulative interest of €3,321 thousand on this financing. This program was completed on December 31, 2016. These advances are reimbursable provided our products, TG4010 and TG4001, reach a revenue threshold and in proportion to this revenue until a reimbursement ceiling is reached.

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
Year	**Gross Amount**	Bank Financing	Current Portion	Non-current Portion	*Financial fixed assets*	**ASSETS**	Current Portion	Non-current Portion	**LIABILITIES**
RTC 2014	**8,942**	Yes	8,942	-	886	**9,828**	8,861	-	**8,861**
RTC 2015	**7,758**	Yes	-	7,758	1,164	**8,922**	-	7,758	**7,758**
RTC 2016	**6,298**	Yes	-	6,298	939	**7,237**	-	6,256	**6,256**
RTC 2017	**3,057**	No	-	3,057	-	**3,057**	-	-	**-**
TOTAL RTC	**26,055**		**8,942**	**17,113**	**2,989**	**29,044**	**8,861**	**14,014**	**22,875**
CICE 2014	**275**	Yes	275	-	48	**323**	320	-	**320**
CICE 2015	**282**	Yes	-	282	41	**323**	-	275	**275**
CICE 2016	**120**	Yes	-	120	18	**138**	-	120	**141**
CICE 2017	**57**	Yes	-	57	18	**75**	-	118	**118**
TOTAL CICE	**734**		**275**	**459**	**125**	**859**	**320**	**513**	**854**

EUROPEAN INVESTMENT BANK (EIB) LOAN

In 2016, the Company obtained a €20 million credit facility from the European Investment Bank (EIB) under the IDFF (Infectious Diseases Finance Facility). The first €10 million tranche was drawn down on June 20, 2016.

This principal is repayable in full in a single bullet payment at the end of a five-year term, i.e. 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. Interest due at June 30, 2017 is recognized in Non-current financial liabilities (€771 thousand).

The second €10 million tranche is available for drawdown by the Company until December 21, 2017.

No guarantee was provided by the Company for this loan.

NOTE 10 PROVISIONS FOR RISKS

IN € THOUSANDS	12/31/2016	PROVISIONS	RETAINED EARNINGS	REVERSALS NOT APPLICABLE	USE OF THE PROVISION	06/30/2017
Risk of charge	1,456	89	-	-	(1,009)	536
TOTAL PROVISIONS FOR RISKS	**1,456**	**89**	**-**	**-**	**(1,009)**	**536**

The provision for risks relates primarily to the restructuring provision amounting to €443 thousand at June 30, 2017, compared with €1,452 thousand at December 31, 2016. The balance of this provision should be used in its entirety in the second half of 2017.

NOTE 11 OTHER LIABILITIES

OTHER CURRENT LIABILITIES

IN € THOUSANDS	06/30/2017	12/31/2016
Accrued taxes, employee benefit expense and other	3,072	3,636
Prepaid income, of which:	1,119	93
• *Production revenue*	*1,119*	*93*
• *Research and development grants*	-	-
Other short-term payables	13	32
TOTAL	**4,204**	**3,761**

NOTE 12 EMPLOYEE BENEFITS

12.1 PROVISIONS FOR RETIREMENT BENEFIT OBLIGATIONS

In accordance with French law, Transgene participates in the funding of pensions for employees in France through the payment of contributions calculated on the basis of wages to bodies that manage retirement programs. For certain of its employees in France, Transgene also makes contributions, again based on wages, to private supplementary pension entities. There are no other obligations related to these contributions.

Transgene is also liable for statutory length-of-service awards payable to employees in France upon retirement. The compensation benefits are due only to employees on Transgene payroll at the time of retirement.
The assumptions used to calculate these provisions for retirement are as follows:

	06/30/2017	12/31/2016
Discount rate	1.70 %	1.70 %
Rate of future salary increases	1.50 %	1.50 %
Retirement age:		
• *managers:*	age 65	age 65
• *non-managers:*	age 63	age 63
Provision (in € thousands)	3,874	3,725

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 13 EQUITY

13.1 SHARE CAPITAL

As of June 30, 2017, the number of outstanding Transgene shares was 56,431,991, representing a share capital of €56,431,991.

13.2 EARNINGS PER SHARE

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

	06/30/2017	06/30/2016
BASIC EARNINGS PER SHARE		
Available net profit attributable to equity holders of the Group (in € thousands)	(18,346)	(12,153)
Average number of shares outstanding	56,431,991	38,545,397
BASIC EARNINGS PER SHARE (IN €)	**(0.33)**	**(0.32)**
DILUTED EARNINGS PER SHARE (IN €)	**(0.33)**	**(0.32)**

In the first half of 2016 and 2017, 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). Therefore, diluted earnings per share for the first half of 2016 and of 2017 were identical to basic earnings per share.

13.3 STOCK OPTIONS PLANS

Transgene did not grant any new stock options during the first half of 2017. The number of options outstanding at December 31, 2016 amounted to 568,269, of which 526,941 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 €35 thousand in the first half of 2017, compared with €36 thousand in the first half of 2016.

13.4 FREE SHARE PLANS

On March 17, 2017, Transgene's Board of Directors voted to allocate 183,670 new free shares to Company employees. The total free shares grant was 37,550 shares at December 31, 2016. No free shares were vested in the first quarter of 2017.

The cost of services rendered is recognized as an expense over the vesting period. The expense was €183 thousand in the first half of 2017 and €50 thousand in the first half of 2016.

NOTE 14 OPERATING INCOME

14.1 REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

IN € THOUSANDS	06/30/2017	06/30/2016
Revenue from research and development collaboration	320	332
License fees and royalties	152	1,573
TOTAL	**472**	**1,905**

Under the collaboration agreement signed by the Company with Les Laboratoires Serviers at the end of June 2017, an initial payment of €1,000 thousand was invoiced. Recognition of this amount was spread over the term of the contract, i.e. 3 years, resulting in the recognition of revenue of €9 thousand at June 30, 2017. The €991 thousand balance not recognized at this time was recorded in Prepaid income at June 30, 2017. (See Note 11).

14.2 PUBLIC FUNDING FOR RESEARCH EXPENSES

IN € THOUSANDS	06/30/2017	06/30/2016
Research and development grants	3	85
Research tax credits, net	3,025	2,885
TOTAL	**3,028**	**2,970**

The gross research tax credit, excluding advisory fees, for the first half of 2017 was €3,057 thousand.

NOTE 15 OTHER INCOME AND EXPENSES FROM OPERATIONS

IN € THOUSANDS	06/30/2017	06/30/2016
Other income from sales of fixed assets	17	112
Other income	92	80
Impact of restructuring operation	289	272
TOTAL OTHER INCOME	**398**	**464**
Net carrying value of disposals of fixed assets	(18)	(128)
Other expenses	(89)	-
TOTAL OTHER EXPENSES	**(107)**	**(128)**
TOTAL	**291**	**336**

NOTE 16 FINANCIAL INCOME (EXPENSES), NET

IN € THOUSANDS	06/30/2017	06/30/2016
Investment income	63	21
Debt servicing costs	(531)	(198)
BORROWING COSTS NET OF INVESTMENTS	**(468)**	**(177)**
Other financial income/(expense)	(502)	(330)
Foreign exchange gains/(losses)	(11)	(19)
OTHER FINANCIAL INCOME AND EXPENSES	**(513)**	**(349)**
NET FINANCE COST	**(981)**	**(526)**

NOTE 17 INCOME TAX EXPENSES

17.1 CURRENT TAXES

Since the Company is in a tax loss position, its current tax charge is zero. The US and Chinese subsidiaries did not recognize any current tax income or expense in 2016 or 2017.

17.2 DEFERRED TAXES

No deferred tax assets were recognized at June 30, 2017, due to the uncertainty of taxable income being generated over the next three years.

NOTE 18 PERSONNEL

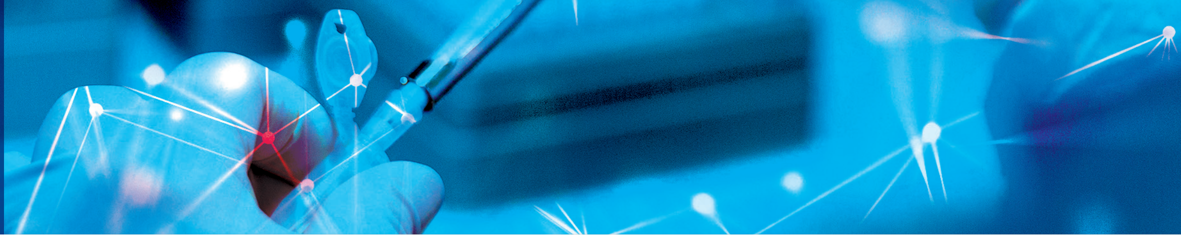
18.1 PERSONNEL

The Group's registered workforce totaled 155 employees at June 30, 2017, including one person with Transgene, Inc.

JUNE 30, 2017	MEN	WOMEN	TOTAL OTHERS
Managers	39	70	**109**
Other grades	13	33	**46**
TOTAL	**52**	**103**	**155**

** Including 131 open-ended employment contracts at June 30, 2017*

On June 30, 2017, there were no longer any employees on leave pending transfer under the employment protection scheme. On December 31, 2016, the Company had 176 employees, 26 of whom were in the process of being transferred.



18.2 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	06/30/2017	06/30/2016
Research and development expenses	5,758	5,266
General and administrative expenses	1,624	1,773
TOTAL EMPLOYEE BENEFITS EXPENSES	**7,382**	**7,039**

Expenses relating to share-based payments amounted to:

IN € THOUSANDS	06/30/2017	06/30/2016
Research and development expenses	127	49
General and administrative expenses	91	33
TOTAL	**218**	**82**

NOTE 19 AFFILIATED COMPANIES

Transgene signed a cash pooling agreement with Institut Mérieux and the cash invested in Institut Mérieux's cash pooling agreement represented a receivable of €40,852 thousand at June 30, 2017. Interest income at June 30, 2017 was €54 thousand.

The table below does not include these cash items.

06/30/2017 - IN € THOUSANDS	RECEIVABLES	PAYABLES
ABL Europe SAS (1)	753	68
ABL Lyon	-	71
BioMérieux, Inc. (2)	-	41
BioMérieux SA	8	-
Elsalys Biotech SAS (3)	355	-
Institut Mérieux (4)	-	10
Mérieux Développement	-	-
Mérieux Université	-	-
Thera conseil	-	-
Transgene Tasly (5)	22	-
TOTAL	**1,138**	**190**

06/30/2017 - IN € THOUSANDS	REVENUE	EXPENSES
ABL Europe SAS (1)	80	1,323
ABL Lyon	-	138
BioMérieux, Inc. (2)	-	250
BioMérieux SA	1	-
Elsalys Biotech SAS (3)	82	-
Institut Mérieux (4)	-	182
Mérieux Développement	-	-
Mérieux Université	-	1
Thera conseil	-	-
Transgene Tasly (5)	53	-
TOTAL	**216**	**1,894**

■ (1) Expenses related to the agreements for production services provided by ABL Europe to Transgene SA. ■ (2) Expenses related to the agreement for services and re-invoicing of staff, signed between Transgene, Inc. and bioMérieux, Inc. ■ (3) Revenue related to the agreements for services provided by Transgene SA. Expenses included an agency contract between ElsaLys Biotech and Transgene SA. Receivables including an affiliate's current account. ■ (4) Expenses related to the agreements for services provided by Institut Mérieux. ■ (5) Revenue related to agreements for services and re-invoicing of staff, signed between Transgene SA and Transgene Tasly BioPharmaceutical Co. Ltd.

NOTE 20 OFF-BALANCE SHEET COMMITMENTS

As part of the sale of the Company's production site to ABL Europe in February 2016, Transgene entered into an agreement with ABL Europe to secure supplies of clinical batches for three years. Under the agreement, Transgene undertakes to place an annual order worth €3 million for the three years.

Transgene is also bound by contracts with subcontractors, that could have an impact over several accounting periods. As of June 30, 2017, the Company estimated the current value of its financial commitments under these agreements to be approximately €16 million.

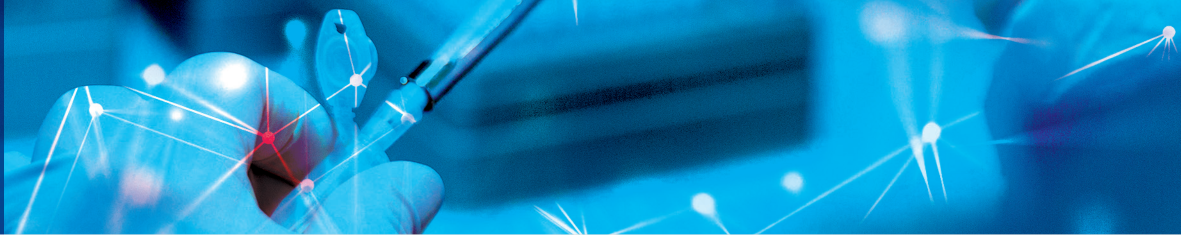
NOTE 21 SEGMENT INFORMATION

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 majority of its operations are located in France. The Company therefore uses only one segment for the preparation and presentation of its financial statements.

NOTE 22 BREAKDOWN OF ASSETS AND LIABILITIES BY MATURITY

JUNE 30, 2017 ASSETS (IN € THOUSANDS)	GROSS AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR
Financial fixed assets	3,972	934	3,038
Trade receivables	2,499	2,499	-
Research tax credits, tax credit for competitiveness and employment	26,789	17,571	9,218
Government, VAT and other local authorities	155	155	-
Personnel and related accounts	25	25	-
Prepaid expenses	2,130	1,874	256
Grant receivable	-	-	-
Receivables from the sale of assets	2,972	1,899	1,073
Other receivables	62	62	-
TOTAL ASSETS	**38,604**	**25,019**	**13,585**

JUNE 30, 2017 LIABILITIES (IN € THOUSANDS)	GROSS AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR AND UP TO 5 YEARS	MORE THAN FIVE YEARS
Conditional advances	17,595	-	-	17,595
Trade payables	4,393	4,393	-	-
Property leasing	7,775	1,040	4,157	2,578
Equipment leasing	73	54	19	-
Financing of RTC and CICE	23,708	9,181	14,527	-
EIB loan financing	10,771	-	10,771	-
Provisions for risks and liabilities	536	536	-	-
Provisions for retirement	3,874	192	1,131	2,551
Accrued employee benefits and tax expense	3,072	3,072	-	-
Prepaid income	1,119	456	663	-
Other liabilities	408	12	-	396
TOTAL LIABILITIES	**73,324**	**18,936**	**31,268**	**23,120**



NOTE 23 EXCHANGE RATE HEDGING OPERATIONS

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, 2017, the market value of this hedging instrument was -€396 thousand.

NOTE 24 FINANCIAL INSTRUMENTS

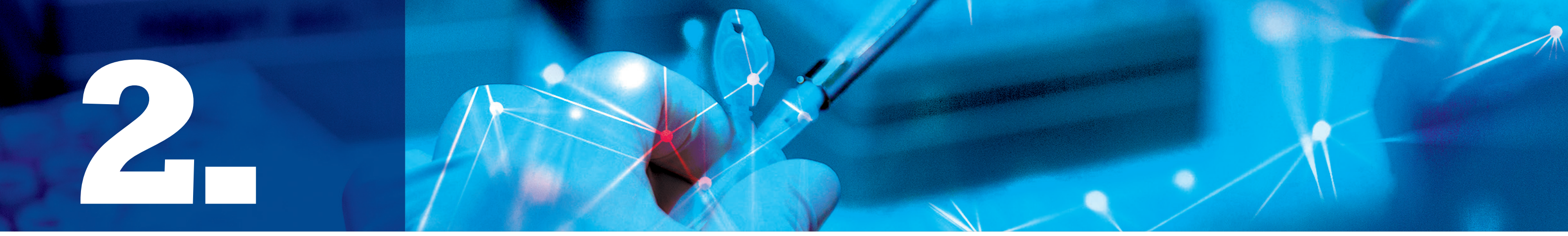
The table below breaks down financial assets and liabilities according to the categories set out in IAS 39 (excluding receivables and accrued taxes and employee benefits) and compares the carrying values and fair values:

JUNE 30, 2017 IN € THOUSANDS	ACTIFS À LA JUSTE VALEUR PAR RÉSULTAT	ACTIFS DÉTENUS ET DESTINÉS À LA VENTE	CRÉANCES, DETTES, EMPRUNTS, AU COÛT AMORTI	INSTRUMENTS DÉRIVÉS	VALEUR COMPTABLE	JUSTE VALEUR	NIVEAU
FINANCIAL ASSETS							
Cash and cash equivalents	3,091	-	-	-	3,091	3,091	1
Other current financial assets	42,751	-	-	-	42,751	42,751	2
Trade receivables	-	-	2,499	-	2,499	2,499	-
Financial fixed assets	-	-	*3,972*	-	*3,972*	*3,972*	-
Receivable on non-current financial assets	-	-	*257*	-	*257*	*257*	*2*
Financial fixed assets	-	-	4,229	-	4,229	4,229	2
Investments in associates	-	-	3,624	-	3,624	3,624	3
Other non-current assets	1,073	-	-	-	1,073	1,073	-
TOTAL ACTIF FINANCIER	**46,915**	**-**	**10,352**	**-**	**57,267**	**57,267**	
FINANCIAL LIABILITIES							
Borrowings from credit institutions, long-term portion	-	-	25,298	-	25,298	25,298	2
Lease commitment, long-term portion	-	-	6,755	-	6,755	6,755	2
Conditional advances	-	-	17,595	-	17,595	17,595	2
Other non-current financial liabilities	-	-		396	396	396	2
NON-CURRENT FINANCIAL LIABILITIES	**-**	**-**	**49,648**	**396**	**50,044**	**50,044**	**-**
Borrowings from credit institutions, short-term portion	-	-	9,181	-	9,181	9,181	2
Finance leasing, short-term portion	-	-	1,094	-	1,094	1,094	2
CURRENT FINANCIAL LIABILITIES	-	-	10,275	-	10,275	10,275	-
TRADE PAYABLES	-	-	4,393	-	4,393	4,393	-
TOTAL FINANCIAL LIABILITIES	-	-	64,316	396	64,712	64,712	

In accordance with IFRS 13, financial instruments are categorized in three levels according to a hierarchy of methods that determine the fair value:
- Level 1: fair value calculated with reference to quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value calculated with reference to observable market data for the asset or liability, either directly or indirectly (i.e., derived from prices);
- Level 3: fair value calculated with reference to unobservable market data for the asset or liability.

NOTE 25 EVENTS AFTER THE REPORTING PERIOD

None.



FINANCIAL HIGHLIGHTS AND MANAGEMENT DISCUSSION AND ANALYSIS

2.1 ■ KEY EVENTS IN THE FIRST HALF OF 2017

In February 2017, the first patient in the ISI-JX trial at Centre Léon Bérard (Lyon) was treated. This Phase 1 clinical trial evaluates the intratumoral administration of Pexa-Vec in combination with ipilimumab in solid tumors. The clinical trial, sponsored by Centre Léon Bérard, will recruit patients with locally advanced and/or metastatic solid tumors. Ipilimumab is a monoclonal antibody authorized in the treatment of melanoma (Yervoy®, Bristol-Myers Squibb) which targets the CTLA-4 receptor, an immune checkpoint inhibitor (ICI).

In March 2017, the first patient with metastatic non-small cell lung cancer (NSCLC) was treated, following an unsuccessful line of platinum-based chemotherapy in a Phase 2 trial aimed at evaluating the combination of TG4010 and Opdivo® (nivolumab). Doctor Karen Kelly, a world-renowned lung cancer expert and Associate Director for Clinical Research at the UC Davis Comprehensive Cancer Center, is the principal investigator in this clinical trial. For this trial, a collaboration agreement was signed with UC Davis. The UC Davis Medical Center will act as sponsor of this clinical trial financed by Transgene and supported by Bristol-Myers Squibb for the supply of nivolumab. Nivolumab targets the PD-1 receptor, an immune checkpoint inhibitor (ICI).

At the beginning of April 2017, at the annual convention of the American Association for Cancer Research (AACR) held in Washington DC (USA), Transgene presented a poster showing promising new preclinical data on the new generation of armed oncolytic viruses developed in its laboratories. This immunological data supports the development of armed oncolytic viruses capable of modulating the tumoral micro-environment and increasing the infiltration of T lymphocytes in the tumor. In July 2017, this data was also the focus of an article published in *Cancer Research*, one of the most influential peer-reviewed journals for cancer research and treatments. It strengthens the preclinical file on TG6002, Transgene's most advanced new-generation oncolytic virus.

In April 2017, the first patient with a soft tissue sarcoma (STS) was treated in Phase 2 of the METROmaJX clinical trial at Institut Bergonié (Bordeaux). METROmaJX is a Phase 1/2 clinical trial which evaluates the tolerability and efficacy of the co-administration of Pexa-Vec with low doses of cyclophosphamide in patients with advanced solid tumors like in breast cancer and STS. During Phase 1 of the trial, the combination of the two products showed a satisfactory tolerability profile, allowing the trial to continue into Phase 2. For Phase 2 of this open-label trial, patients with STS or HER2-negative breast cancer will be recruited. The aim of this phase is mainly to evaluate the anti-tumoral efficacy of this innovative combination. Institut Bergonié is sponsoring this trial, which is supported by INCa (the French national cancer institute) within the framework of CLIP projects.

At the end of April 2017, Transgene and SillaJen, Inc. announced the inclusion of the first European patient in the Pexa-Vec randomized open-label Phase 3 trial on patients with advanced liver cancer (hepatocellular carcinoma - HCC), having undergone unsuccessful loco-regional treatment and who are eligible for sorafenib (Nexavar®) treatment, the only systemic drug allowed for this illness. The patient was randomized at Azienda Ospedaliero-Universitaria in Parma, Italy. The inclusion of the first patient in Europe triggered a milestone payment of $4 million by Transgene to SillaJen. The «PHOCUS» trial started in January 2016 and is currently recruiting patients in North America, Asia, Australia and Europe. It intends to enroll 600 patients who have not received prior systemic treatment for their cancer.

Also at the end of April 2017, Transgene and Bristol-Myers Squibb announced the signing of a collaboration agreement for a Phase 2 clinical trial aimed at evaluating the tolerance and efficacy of TG4010 combined with Bristol-Myers Squibb's Opdivo® (nivolumab) and standard chemotherapy, as a first-line treatment of advanced non-small cell lung cancer (NSCLC) in patients for whom the tumor cells' PD-L1 expression is weak or undetectable. This single-arm multicenter trial could produce its first results in 2018. Transgene is the sponsor of the clinical trial, while Bristol-Myers Squibb will supply Opdivo®.

In June 2017, Servier and Transgene announced the signing of a research agreement for the application of viral vectorization technology to the engineering of allogenic CAR-T cell therapies. The purpose of this partnership is to evaluate and select innovative vectorization methods based on Transgene's viral vector collection, which may be applied to the engineering of CAR-T cell therapies. Servier and Transgene thus aim to develop an original allogenic CAR-T preparation process, with better transgene integration yields and fewer steps. This agreement, whose initial term is three years, could earn Transgene over €30 million if the products stemming from this collaboration are marketed.

2.2 ■ FINANCIAL INCOME/(LOSS):

■ OPERATING INCOME

The table below breaks down revenue from continuing operations for the first half of 2017 compared to the same period in 2016:

IN € MILLIONS	06/30/2017	06/30/2016
Revenue from collaborative and licensing agreements	0.5	1.9
Public funding for research expenses	3.0	3.0
OPERATING INCOME	**3.5**	**4.9**

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

- Research and development services for third parties amounting to €0.3 million in the first half of 2017 (€0.2 million in H1 2016);
- Income related to the marketing of technologies or products provided under license by Transgene, amounting to €0.2 million, versus €1.6 million in H1 2016.

In the first half of 2017, public funding for research expenses mainly consisted of the research tax credit. It amounted to €3.0 million for the first half of 2017 compared to €2.9 million for the same period in 2016. The research tax credit for the first half of 2017 was calculated on the eligible expenses as of June 30, 2017.

OPERATING EXPENSES

Research and development (R&D) expenses for continuing operations amounted to €16.9 million in the first half of 2017 compared to €12.5 million for the same period in 2016.

The following table details R&D expenses by type:

IN € MILLIONS	06/30/2017	06/30/2016*	CHANGE
Payroll costs	5.8	5.3	+9 %
Share-based payments	0.1	0.05	+159 %
Intellectual property expenses and licensing costs	4.3	0.5	+818 %
External expenses for clinical projects*	3.2	2.8	+12 %
External costs on other projects	0.7	0.9	-29 %
Operating costs	1.9	2.2	-13 %
Depreciation, amortization and provisions	0.9	0.8	+22 %
RESEARCH AND DEVELOPMENT EXPENSES	**16.9**	**12.5**	**+35 %**

** Expenses related to the outsourced production of clinical batches are recognized in «external expenses for clinical projects».*

Employee benefits expenses for R&D personnel (salaries and related charges and expenses) amounted to €5.8 million in the first half of 2017 compared to €5.3 million for the same period in 2016.

Intellectual property and licensing expenses amounted to €4.3 million versus €0.5 million for H1 2016. This increase is due to the payment of a €3.8 million milestone payment to SillaJen Biotherapeutics, Inc. for the inclusion of the first European patient in the Phase 3 clinical trial with Pexa-Vec (Phocus).

External expenses for clinical projects amounted to €3.2 million in the first half of 2017, compared to €2.8 million for the same period in 2016.

External expenses for other projects (research, preclinical and industrial projects) totaled €0.7 million in the first half of 2017, versus €0.9 million for the same period in 2016.

Operating expenses, including costs to operate research laboratories, amounted to €1.9 million in the first half of 2017 compared to €2.2 million for the same period in 2016.

General and administrative expenses amounted to €3.1 million in the first half of 2017 compared to €3.4 million for the same period in 2016.

The following table details G&A (general and administrative) expenses by type:

IN € MILLIONS	06/30/2017	06/30/2016	CHANGE
Payroll costs	1.6	1.8	-8 %
Share-based payments	0.1	0.03	+175 %
Fees and administrative expenses	0.8	1.0	-21 %
Other G&A expenses	0.5	0.5	-7 %
Depreciation, amortization and provisions	0.0	0.1	-7 %
GENERAL AND ADMINISTRATIVE EXPENSES	**3.1**	**3.4**	**-10 %**

Payroll costs amounted to €1.6 million in the first half of 2017, versus €1.8 million for the same period in 2016.

External expenses, including fees and management expenses, amounted to €0.8 million in the first half of 2017 compared to €1.0 million for the same period in 2016.

OTHER INCOME

Other income amounted to €0.4 million in the first half of 2017, compared to €0.5 million for H1 2016. It mainly relates to a restructuring cost adjustment.

OTHER EXPENSES

Other expenses amounted to €0.1 million in the first half of 2017, in line with the figure for H1 2016.

FINANCIAL INCOME/(LOSS)

Net interest expense amounted to €1.0 million in the first half of 2017 compared to an expense of €0.5 million for the same period in 2016.

Financial income (investment income) was €0.1 thousand in the first half of 2017 compared to €0.02 million for the same period in 2016.

Financial expenses mainly related to the interest paid on the EIB loan (€0.4 million), the discounting of the advances received by Bpifrance under the ADNA (Advanced Diagnostics for New Therapeutic Approaches) program (€0.3 million), the revaluation of assets following the sale of the stake in Jennerex, Inc. to SillaJen, Inc. in 2014 (€0.2 million), and interest on finance leases (€0.1 million).

NET COMPREHENSIVE INCOME/(LOSS)

The net comprehensive loss was €18.3 million for the first half of 2017, compared to €12.2 million for the same period in 2016 (including €0.5 million for discontinued operations).

Net loss per share was €0.33 for the first half of 2017, compared to €0.32 at the same period in 2016.

INVESTMENTS

Investments in tangible and intangible assets (net of disposals) amounted to €0.1 million for the first half of 2017, in line with the figure for the same period in 2016.

REPAYABLE ADVANCES AND LOANS

No repayable advances were received by Transgene in the first half of 2017.

In the first half of 2017, the Company refinanced its 2016 research tax credit of €6.3 million. To this effect, Transgene took out a bank loan with Bpifrance that matures in mid-2020, 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 the first half of 2017 in the amount of €0.1 million through a loan from Bpifrance (which matures in mid-2020).

In June 2016, Transgene had drawn down the first tranche of a credit facility granted by the European Investment Bank (EIB) in January 2016. This first €10 million tranche, out of a total of €20 million available, is payable in 2021. The interest accrued is payable starting in 2019.

LIQUIDITY AND CAPITAL RESOURCES

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

At June 30, 2017, Transgene had €43.9 million in cash and cash equivalents compared to €56.2 million at December 31, 2016.

NET CASH BURN

Transgene's cash burn amounted to €12.3 million in the first half of 2017, compared with €8.2 million for the same period in 2016.

Transgene confirms its target net cash burn of approximately €30 million for 2017.

2.3 MAIN RELATED PARTY TRANSACTIONS

This information is disclosed in Note 19 of the 2017 interim financial statements published herein.

2.4 POST-CLOSING EVENTS

None.

STATUTORY AUDITORS' REPORT ON THE 2017 INTERIM FINANCIAL STATEMENTS

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Membre de la compagnie régionale de Versailles

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S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

Transgene S.A.
Period from January 1 to June 30, 2017

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

To the Shareholders,

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

- the review of the accompanying half-yearly consolidated financial statements of Transgene S.A., for the period from January 1 to June 30, 2017;
- the verification of the information presented in the half-yearly management report.

These half-yearly consolidated financial statements are the responsibility of your 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 half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of 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 half-yearly consolidated financial statements subject to our review.

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

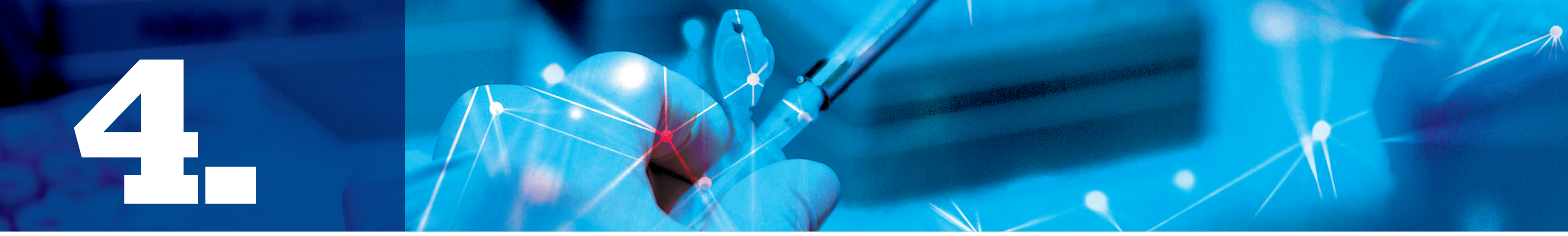
Paris-La Défense et Lyon, September 12, 2017
The Statutory Auditors
French original signed by

GRANT THORNTON
French member of Grant Thornton International

Françoise Mechin

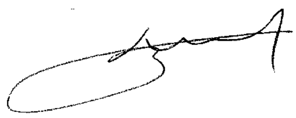
ERNST & YOUNG et Autres

Cédric Garcia



DECLARATION BY THE PERSON RESPONSIBLE FOR THIS INTERIM FINANCIAL REPORT

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



Mr. Philippe Archinard
Chairman and Chief Executive Officer