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Transgene Announces Rights Issue for an Amount of circa €48 Million

- **Subscription ratio: 12 new shares for 25 existing shares**
- **Subscription price: €2.60 per new share**
- **Subscription period: from October 27, 2016 to November 4, 2016 (inclusive)**
- **Institut Mérieux has undertaken to subscribe up to 75% of the new shares**

Quarterly financial information as of September 30, 2016:
€25.4 million in Cash and Cash Equivalents

Strasbourg, France, October 20, 2016, 7:30 am CET – Transgene (Euronext Paris: TNG) (the "**Company**"), a company focused on designing and developing targeted immunotherapies for the treatment of cancer and infectious diseases, announces today the launch and terms of a share capital increase with shareholders' preferential subscription rights for a total gross amount of circa €48 million, issue premium included (the "**Rights Issue**").

Purpose of the Rights Issue

The Company intends to use the net proceeds from the offering to (i) reinforce its financial structure until the end of 2018 in order to carry out its clinical development plan with the launch of seven clinical trials currently under preparation, evaluating its five clinical-stage drug candidate products and (ii) allow the Company to negotiate partnership agreements based on the results obtained from 2017 onwards.

Mr. Philippe Archinard, Chairman and CEO of Transgene, commented: "*With a mature and diversified product portfolio, Transgene is ideally positioned to be one of the major players of the new paradigm of immuno-oncology. Our therapeutic vaccines and our oncolytic viruses have produced encouraging data to date and are ideally suited to be used in combination with immune checkpoint inhibitors (ICIs), part of the future standards of care. The recent signing of a collaboration agreement with Merck KGaA, Darmstadt, Germany, and Pfizer, to evaluate Avelumab, an investigational ICI, in combination with TG4001, confirms the relevance of our approach.*
In the coming months, Transgene will launch five clinical trials combining three of our immunotherapies with ICIs that are expected to demonstrate the synergic effects of these two classes of immunotherapies. Also, two additional proof-of-concept first-in-human trials, conducted with two other products, will deliver readouts from next year on, in parallel to the ongoing recruitment of the Phase 3 trial of Pexa-Vec conducted by our partner SillaJen. Our goal is clear: we aim to obtain first data readouts from 2017 that will be key for the development of our products and to negotiate partnership or co-development agreements."

Main terms of the Rights Issue

The Rights Issue is expected to result in the issuance of 18,501,780 new shares at a price of €2.60 per share, comprising a nominal value of €1.00 and an issue premium of €1.60, for total gross proceeds (issue premium included) of €48,104,628. This number of new shares may be increased to a maximum of 18,878,952 shares upon exercise before the close of business on October 26, 2016, of the financial

instruments giving access to the share capital of the Company for which an undertaking of non-exercise has not been given resulting in maximum gross proceeds (issue premium included) of €49,085,275.20.

Each shareholder of the Company will receive, on October 27, 2016, one (1) preferential subscription right for every share registered in its securities account following the business day of October 26, 2016. 25 preferential subscription rights allow their holders to subscribe for 12 new shares on an irreducible basis (*à titre irréductible)*.

Subscription for new shares may also be made on a reducible basis (*à titre réductible*) but remain subject to a reduction in the event of over-subscription. Any new shares that are not subscribed to on an irreducible basis shall be distributed and allocated to the holders having subscribed on a reducible basis.

Based on Transgene's closing share price on the regulated market of Euronext in Paris ("**Euronext Paris**") on October 19, 2016, *i.e.* €3.08, the theoretical value of one (1) preferential subscription right amounts to €0.156 and the theoretical value of the share ex-rights ("**TERP**") amounts to €2.92.

The subscription price represents a discount of 15.58% compared to Transgene's closing share price on October 19, 2016 and a discount of 11.08% to TERP compared to Transgene's closing share price on October 19, 2016.

The Rights Issue consists of a public offering in France only and a private placement to international investors outside of France.

Natixis acts as Global Coordinator and Joint Bookrunner and Kempen & Co acts as Joint Bookrunner for the Rights Issue.

Indicative timetable of the Rights Issue

Subscription period
The subscription period during which holders of preferential subscription rights can exercise such rights and subscribe for new shares will begin on October 27, 2016 and will end on November 4, 2016 inclusive. Preferential subscription rights that are not exercised before the end of the subscription period, namely before the close of the trading day of November 4, 2016, will lapse automatically.

Listing of and trading in the preferential subscription rights
Application has been made to admit the preferential subscription rights to trading on Euronext Paris. The listing and trading of the preferential subscription rights under ISIN code FR0013215217 is expected to start on October 25, 2016 and end on November 2, 2016 (inclusive).

Settlement, delivery and admission to trading
The settlement and delivery as well as the admission to trading of the new shares are expected to take place on November 15, 2016. The new shares will confer the right, from their issuance, to all dividends decided by the Company from this date. The new shares carry the same rights as the existing shares of the Company and will be traded on the same quotation line as the existing shares under ISIN code FR0005175080.

Subscription undertaking

TSGH (a 98.66%-owned subsidiary of Institut Mérieux) which holds as of today approximately 51.85% of the share capital and 66.40% of the voting rights of the Company has committed to (i) exercise on an irreducible basis (*à titre irréductible*) all the preferential subscription rights it owns and to subscribe the number of new shares corresponding to the exercise of these preferential subscription rights, *i.e.* 9,593,760 new shares and, (ii) to subscribe on a reducible basis (*à titre réductible*) to 4,282,575 new shares representing the difference between its commitment on an irreducible basis (*à titre irréductible*) and 75% of the total number of new shares to be issued in the Rights Issue. The number of new shares that TSGH committed to subscribe to will be increased to up to 9,593,760 new shares on an irreducible basis (*à titre irréductible*) and to up to 4,565,454 new shares on a reducible basis (*à titre réductible*), if the total number of new shares to be issued in the Rights Issue is increased to a maximum of 18,878,952 new shares in case the holders of existing stock-options were to exercise them before the record date of the Rights Issue and exercise the preferential subscription rights allocated to the shares received upon exercise of such options.

Lock-up undertakings

The Company agreed to a lock-up period of 180 calendar days following the settlement and delivery of the Rights Issue, subject to certain standard exceptions (including a potential implementation of a private placement or an equity line for an amount not exceeding 3% of the share capital following the completion of the Rights Issue).

TSGH agreed to a lock-up period of 90 calendar days following the settlement and delivery of the Rights Issue, subject to certain standard exceptions.

Information available to the public

A Prospectus in the French language has been prepared consisting of (i) a registration document filed with the Autorité des marchés financiers ("**AMF**") on April 28, 2016 under no. D.16-0434 (the "**Registration Document**"), (ii) an update to the registration document filed with the AMF on October 19, 2016 under no. [D.16-0434-A01] (the "**Update**") and (iii) a securities note including the summary of the Prospectus) and which has received visa no. 16-492 dated October 19, 2016 from the AMF. The Prospectus includes a section describing certain risk factors relating to the Company and the offering. This Prospectus is available on the AMF website (www.amf-france.org), on the Company's website (www.transgene.fr) and may be obtained free of charge at the Company's registered office, 400 boulevard Gonthier d'Andernach - Parc d'Innovation, 67400 Illkirch-Graffenstaden – France. Potential investors should review the risk factors described in Section 1.5 of the registration document, in Section 3 of the Update and in Section 2 of the securities note.

Quarterly financial results[1] as of September 30, 2016 (third quarter of 2016)

Operating revenue

The following table summarizes the third quarter operating revenue 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 2015.

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 first positive effects of the reorganization plan.

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About Transgene

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

Transgene S.A. (Euronext: TNG), part of Institut Mérieux, is a publicly traded French biopharmaceutical company focused on designing and developing targeted immunotherapies for the treatment of cancer and infectious diseases. Transgene's programs utilize viral vector technology with the goal of indirectly or directly killing infected or cancerous cells. The Company's two lead clinical-stage programs are: TG4010 for non-small cell lung cancer and Pexa-Vec for liver cancer. The Company has several other programs in clinical and pre-clinical development, including TG4001. Transgene is based in Strasbourg, France, and has additional operations in Lyon, as well as a JV in China. Additional information about Transgene is available at www.transgene.fr.

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Forward-looking statements

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

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*This announcement is an advertisement and not a prospectus within the meaning of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended (the "**Prospectus Directive**").*

With respect to the member States of the European Economic Area which have implemented the Prospectus Directive, no action has been undertaken or will be undertaken to make an offer to the public of the securities referred to herein requiring a publication of a prospectus in the context of a public offering in any relevant member State other than France. As a result, the securities may not and will not be offered in any relevant member State other than France except in accordance with the exemptions set forth in Article 3(2) of the Prospectus Directive, if they have been implemented in that relevant member State, or under any other circumstances which do not require the publication by Transgene of a prospectus in the context of a public offering pursuant to Article 3 of the Prospectus Directive and/or to applicable regulations of that relevant member State.

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