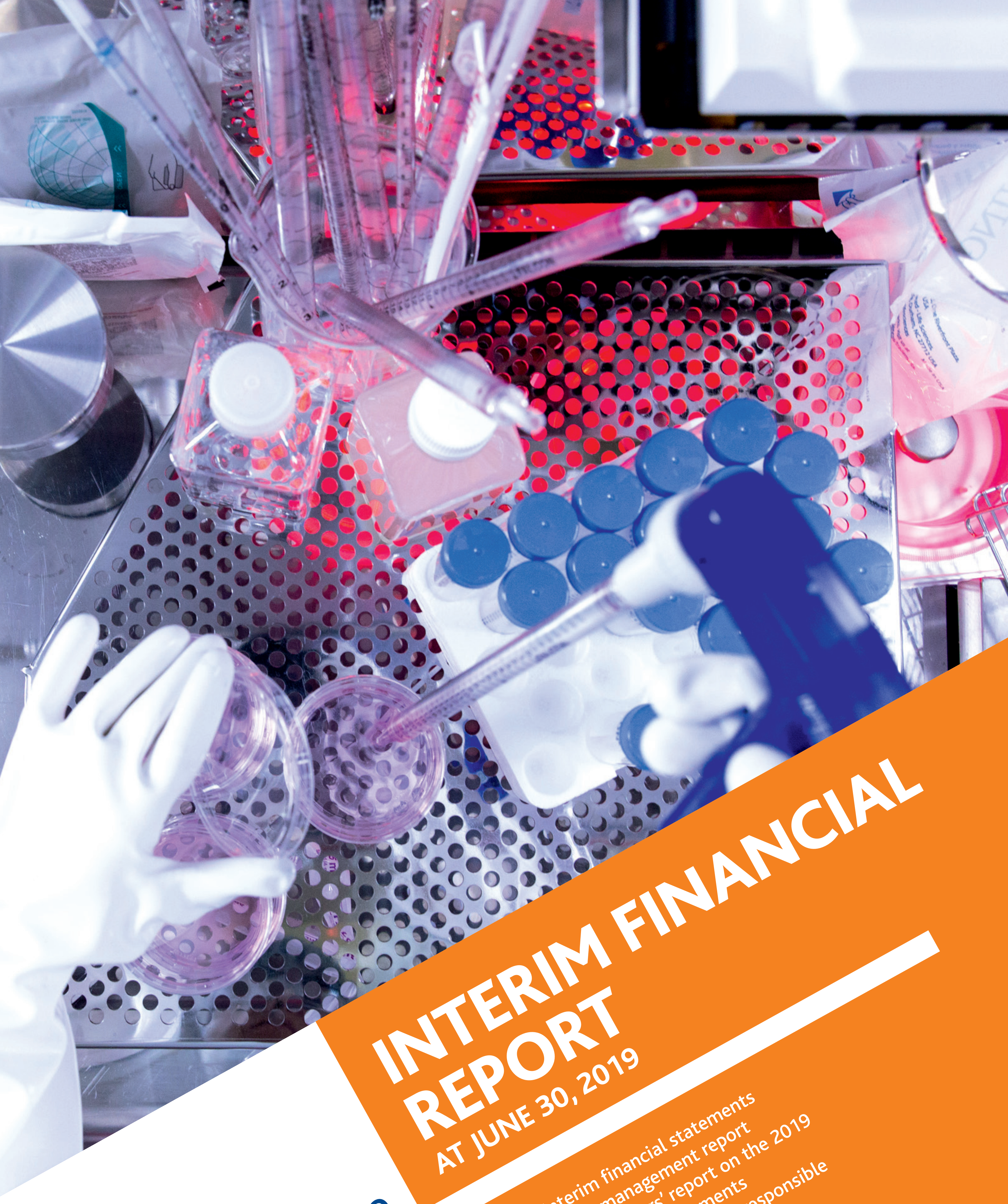

INTERIM FINANCIAL REPORT

AT JUNE 30, 2019

1 • 2019 Interim financial statements
2 • Half-yearly management report
3 • Statutory Auditors' report on the 2019 interim financial statements
4 • Declaration by the person responsible for this information

transgene
IMMUNOTHERAPY TO FIGHT CANCER AND INFECTIOUS DISEASES

1.

2019 INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET, IFRS (in € thousands)

ASSETS	NOTE	06/30/2019	12/31/2018
CURRENT ASSETS			
Cash and cash equivalents	3	11,709	1,885
Other current financial assets	3	1,081	15,015
Cash, cash equivalents and other current financial assets:	**3**	**12,790**	**16,900**
Trade receivables		914	784
Inventories		418	443
Other current assets	4	10,321	11,627
TOTAL CURRENT ASSETS		**24,443**	**29,754**
NON-CURRENT ASSETS			
Property, plant and equipment	5	13,685	13,321
Intangible assets	6	165	180
Non-current financial assets	7.1	44,313	45,158
Investments in associates	7.2	-	-
Other non-current assets	8	11,214	20,234
TOTAL NON-CURRENT ASSETS		**69,377**	**78,893**
TOTAL ASSETS		**93,820**	**108,647**

LIABILITIES AND EQUITY	NOTE	06/30/2019	12/31/2018
CURRENT LIABILITIES			
Trade payables		5,820	4,791
Financial liabilities	9.1	8,119	11,313
Provisions for risks	10	11	76
Other current liabilities	11	11,452	3,463
TOTAL CURRENT LIABILITIES		**25,402**	**19,643**
NON-CURRENT LIABILITIES			
Financial liabilities	9.2	42,181	48,369
Employee benefits	12	3,942	3,778
Other non-current liabilities	11	647	158
TOTAL NON-CURRENT LIABILITIES		**46,770**	**52,305**
TOTAL LIABILITIES		**72,172**	**71,948**
EQUITY			
Share capital	13	62,449	62,276
Share premiums and reserves		12,673	512,581
Retained earnings		(37,444)	(545,473)
Profit/(loss) for the period		(15,342)	8,029
Other comprehensive income/ (loss)		(688)	(714)
TOTAL EQUITY ATTRIBUTABLE TO COMPANY SHAREHOLDERS		**21,648**	**36,699**
TOTAL EQUITY AND LIABILITIES		**93,820**	**108,647**

1. 2019 INTERIM FINANCIAL STATEMENTS

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

	NOTE	06/30/2019	06/30/2018
Revenue from collaborative and licensing agreements	14.1	1,463	605
Public funding for research expenses	14.2	3,132	2,837
Other income	14.3	314	106
OPERATING INCOME		**4,909**	**3,548**
Research and development expenses	15.1	(14,668)	(13,764)
General and administrative expenses	15.2	(3,572)	(2,963)
Other expenses	15.3	(141)	(82)
OPERATING EXPENSES		**(18,381)**	**(16,809)**
OPERATING INCOME/(LOSS)		**(13,472)**	**(13,261)**
Net finance cost	16	(1,870)	(1,109)
Share of profit/(loss) of associates	7.2	-	(503)
INCOME/(LOSS) BEFORE TAX		**(15,342)**	**(14,873)**
Income tax expense	17	-	-
NET INCOME/(LOSS)		**(15,342)**	**(14,873)**
Basic earnings per share (€)	13.2	(0.25)	(0.24)
Diluted earnings per share (€)	13.2	(0.25)	(0.24)

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

	06/30/2019	06/30/2018
NET INCOME/(LOSS)	**(15,342)**	**(14,873)**
Foreign exchange gains/(losses)	1	-
Revaluation of hedging instruments	24	43
OTHER ELEMENTS OF COMPREHENSIVE INCOME/(LOSS) SUBSEQUENTLY RESTATED AS INCOME	**25**	**43**
NET COMPREHENSIVE INCOME/(LOSS)	**(15,317)**	**(14,830)**
Of which, attributable to parent company	(15,317)	(14,830)
Of which, non-controlling interests	-	-

CASH FLOW STATEMENT, IFRS (in € thousands)

	NOTE	06/30/2019	06/30/2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net income/(loss)		(15,342)	(14,873)
Cancellation of financial income		1,870	1,109
ELIMINATION OF NON-CASH ITEMS			
Income of associates		-	503
Provisions		70	(184)
Depreciation	5/6	(72)	1,021
Share-based payments	13.3/13.4	290	202
Other		51	11
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL AND OTHER OPERATING CASH FLOW		**(13,133)**	**(12,211)**
CHANGE IN OPERATING WORKING CAPITAL REQUIREMENTS:			
Current receivables and prepaid expenses	22	(673)	1,046
Inventories and work in progress		25	(44)
Research tax credit (RTC)	14.2	(3,110)	(2,914)
Other current assets	4	2	289
Trade payables	22	939	996
Prepaid income	11	8,059	(179)
Employee benefits	12	417	79
Other current liabilities	11	2	236
NET CASH USED IN OPERATING ACTIVITIES:		**(7,472)**	**(12,702)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Acquisitions)/disposals of property, plant and equipment	5	(210)	(1,243)
(Acquisitions)/disposals of intangible assets	6	(24)	(25)
Other (acquisitions)/disposals	7	1,106	891
NET CASH USED IN INVESTING ACTIVITIES:		**872**	**(377)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net financial income/(loss) proceeds	16	(205)	(69)
Conditional subsidies	9.2	-	30
(Acquisition)/disposal of other financial assets	3	13,934	11,120
Net amounts received for financing of tax credits	9	5,500	4,669
Bank borrowing	9	(2,250)	-
Financial leases and change in lease obligations	9	(556)	87
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES:		**16,423**	**15,837**
Exchange rate differences on cash and cash equivalents		1	1
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:		**9,824**	**2,759**
Cash and cash equivalents at beginning of period		1,885	1,643
CASH AND CASH EQUIVALENTS AT END OF PERIOD:		**11,709**	**4,402**
Investments in other current financial assets		1,081	28,642
CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS:		**12,790**	**33,044**

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

	COMMON SHARES		SHARE PREMIUMS	RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME/(LOSS)	PROFIT/(LOSS) FOR THE PERIOD	TOTAL ATTRIBUTABLE TO SHAREHOLDERS' BUSINESS ACTIVITY
	NUMBER OF SHARES	SHARE CAPITAL						
AS OF DECEMBER 31, 2018	**62,275,923**	**62,276**	**512,035**	**546**	**(545,473)**	**(714)**	**8,029**	**36,699**
Increase of share capital	-	-	-	-	-	-	-	-
Share-based payments	173,175	173	(114)	231	-	-	-	290
Allocation of share premium	-	-	(500,000)	-	500,000	-	-	-
Liquidity contract	-	-	-	(24)	-	-	-	(24)
Allocation of net income/(loss) 2018	-	-	-	-	8,029	-	(8,029)	-
Net income (loss) 2019	-	-	-	-	-	-	(15,342)	(15,342)
Fair value gains on available-for-sale financial assets	-	-	-	-	-	1	-	1
Interest rate swap	-	-	-	-	-	24	-	24
Net comprehensive income/(loss)	-	-	-	-	-	25	(15,342)	(15,317)
JUNE 30, 2019	**62,449,098**	**62,449**	**11,920**	**753**	**(37,444)**	**(689)**	**(15,342)**	**21,648**

	COMMON SHARES		SHARE PREMIUMS	RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME/(LOSS)	PROFIT/(LOSS) FOR THE PERIOD	TOTAL ATTRIBUTABLE TO SHAREHOLDERS' BUSINESS ACTIVITY
	NUMBER OF SHARES	SHARE CAPITAL						
AS OF DECEMBER 31, 2017	**62,075,190**	**62,075**	**511,783**	**444**	**(513,197)**	**(746)**	**(32,276)**	**28,083**
Increase of share capital	-	-	-	-	-	-	-	-
Share-based payments	200,733	201	(14)	15	-	-	-	202
Liquidity contract	-	-	-	182	-	-	-	182
Allocation of net income/(loss) 2017	-	-	-	-	(32,276)	-	32,276	-
Net income (loss) 2018	-	-	-	-	-	-	(14,873)	(14,873)
Interest rate swap	-	-	-	-	-	43	-	43
Net comprehensive income/(loss)	-	-	-	-	-	43	(14,873)	(14,830)
JUNE 30, 2018	**62,275,923**	**62,276**	**511,769**	**641**	**(545,473)**	**(703)**	**(14,873)**	**13,637**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOREWORD

The consolidated financial statements of Transgene (the "Company") at June 30, 2019 were prepared in accordance with the principles and methods defined by IFRS (International Financial Reporting Standard) as adopted by the European Union. 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 consolidated financial statements for the six months ended June 30, 2019 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, 2018, presented in the "Document de référence" submitted to the Autorité des Marchés Financiers (AMF) on April 3, 2019.

The accounting principles used to prepare the consolidated financial statements are in accordance with IFRS standards and interpretations as adopted by the European Union as of June 30, 2019 and are available on the website

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr#documents. 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, 2019 IN EUROPE:

STANDARD/INTERPRETATION	DATE OF APPLICATION PER IASB (periods beginning on or after)	DATE OF EU APPLICATION (no later than periods beginning on or after)
IFRS 16 Leases	01/01/2019	01/01/2019
IFRIC 23 Uncertainty over income tax treatments	01/01/2019	01/01/2019
Application of IFRS 9: Prepayment with negative compensation	01/01/2019	01/1/2019
Amendments to IAS 28: Long-term interests in associated enterprises and joint ventures	01/01/2019	01/01/2019
Annual IFRS improvements (2015-2017 cycle) • IFRS 3 - Prior investment in a joint operation • IFRS 11 - Prior investment in a joint operation • IAS 12 - Tax consequences of payments on financial instruments classified in equity • IAS 23 - Borrowing costs included in the cost of the asset	01/01/2019	01/01/2019
Amendments to IAS 19: Amendment, reduction or liquidation of an employee plan	01/01/2019	01/01/2019

Transgene applied IFRS 16 retroactively. For purposes of this application, the Company:

- has conducted an exhaustive survey of the lease agreements with respect to the criteria for their identification according to IFRS 16;
- has chosen to apply the exemptions for low-value assets and short-term leases;
- has estimated the reasonably certain term of its lease contracts, which corresponds to the non-cancellable period of each contract;
- has used the «practical expedient» of excluding contracts with a term of less than 1 year.

The impact of applying this standard is detailed in Note 2.

The application of IFRIC 23-Uncertainty over income tax treatments had no effect on Transgene during the first half of 2019.

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

To prepare financial statements in accordance with IFRS, Transgene's management made estimates and assumptions, particularly with respect to unconsolidated equity investments without significant influence in Tasly BioPharmaceuticals and ElsaLys Biotech SA, the earnouts payable by SillaJen, the valuation of reimbursable advances on ADNA and on the collaboration agreement signed with AstraZeneca, which 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, as well as Transgene, Inc. and Transgene Biopharmaceuticals Technology (Shanghai) Co. Ltd. ("Transgene Shanghai"), wholly owned subsidiaries whose headquarters are located respectively in Boston, Massachusetts (United States) and Shanghai (China). These companies are fully consolidated. Transgene Shanghai was liquidated in May 2019, without material impact on the consolidated financial statements.

At June 30, 2019 ElsaLys Biotech SA (8.25% owned) was no longer consolidated by the equity method. According to the criteria of IAS 28, "Significant influence" by Transgene was no longer justified since the Company no longer had a member on the Board of Directors, does not participate in the policy-making process, enters into no significant transactions with ElsaLys Biotech SA and does not provide it any essential technical information. At June 30, 2019 the equity is therefore measured at fair value through profit and loss. This fair value is measured according to the market value of ElsaLys Biotech SA stock.

	2019		2018	
COMPANY	PERCENTAGE OF OWNERSHIP	NATURE OF CONTROL	PERCENTAGE OF OWNERSHIP	NATURE OF CONTROL
ElsaLys Biotech SA	8.25 %	-	8.25 %	Significant influence

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 (see Notes 14 to 17).

NOTE 2 APPLICATION OF IFRS 16

The Company identified two contracts affected. These were office and laboratory leases in Lyon.

At December 31, 2018, the lease concerned the Lyonbiopôle building. This agreement terminated in May 2019. It was replaced by a lease on the Accinov building, starting in March 2019.

Since the Company chose the full retrospective approach for applying this standard, the financial data reported as at December 31, 2018 are modified in the following way:

CONSOLIDATED BALANCE SHEET, IFRS AS AT JANUARY 1, 2018:

IN € THOUSANDS	12/31/2017	IFRS 16 IMPACT	01/1/2018 IFRS 16
ASSETS			
CURRENT ASSETS	**58,736**	**-**	**58,736**
NON-CURRENT ASSETS	**42,137**	**415**	**42,552**
Property, plant and equipment	13,604	415	14,019
TOTAL ASSETS	**100,873**	**415**	**101,288**
LIABILITIES			
CURRENT LIABILITIES	**16,866**	**333**	**17,199**
Current financial liabilities	10,283	333	10,616
NON-CURRENT LIABILITIES	**55,918**	**87**	**56,005**
Non-current financial liabilities	51,717	87	51,804
EQUITY ATTRIBUTABLE TO COMPANY SHAREHOLDERS	**28,089**	**(5)**	**28,084**
Retained earnings	(513,194)	-	(513,194)
Profit/(loss) for the period	(32,274)	(5)	(32,279)
TOTAL EQUITY AND LIABILITIES	**100,873**	**415**	**101,288**

CONSOLIDATED BALANCE SHEET, IFRS AS AT DECEMBER 31, 2018:

IN € THOUSANDS	12/31/2018	IFRS 16 IMPACT	12/31/2018 IFRS 16
ASSETS			
CURRENT ASSETS	**29,754**	**-**	**29,754**
Property, plant and equipment	13,217	104	13,321
NON-CURRENT ASSETS	**78,789**	**104**	**78,893**
TOTAL ASSETS	**108,543**	**104**	**108,647**
LIABILITIES			
CURRENT LIABILITIES	**19,537**	**106**	**19,643**
Current financial liabilities	11,207	106	11,313
NON-CURRENT LIABILITIES	**52,305**	**-**	**52,305**
Non-current financial liabilities	48,369	-	48,369
EQUITY ATTRIBUTABLE TO COMPANY SHAREHOLDERS	**36,701**	**(2)**	**36,699**
Retained earnings	(545,468)	(5)	(545,473)
Profit/(loss) for the period	8,026	3	8,029
TOTAL EQUITY AND LIABILITIES	**108,543**	**104**	**108,647**

CONSOLIDATED INCOME STATEMENT, IFRS AS AT JUNE 30, 2018:

IN € THOUSANDS	06/30/2018	IFRS 16 IMPACT	06/30/2018 IFRS 16
OPERATING INCOME	**3,548**	**-**	**3,548**
Research and development expenses	(13,767)	3	(13,764)
OPERATING EXPENSES	**(16,812)**	**3**	**(16,809)**
OPERATING INCOME/(LOSS)	**(13,264)**	**3**	**(13,261)**
Net finance cost	(1,107)	(2)	(1,109)
INCOME TAX EXPENSE	**(14,874)**	**1**	**(14,873)**
NET INCOME/(LOSS)	**(14,874)**	**1**	**(14,873)**

CASH FLOW STATEMENT, IFRS AS AT JUNE 30, 2018:

IN € THOUSANDS	06/30/2018	IFRS 16 IMPACT	06/30/2018 IFRS 16
CASH FLOW FROM OPERATING ACTIVITIES			
Net income/(loss) from continuing operations	(14,874)	1	(14,873)
Cancellation of financial income	1,107	2	1,109
Depreciation	866	155	1,021
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL AND OTHER OPERATING CASH FLOW	**(12,369)**	**158**	**(12,211)**
NET CASH USED IN OPERATING ACTIVITIES	**(12,860)**	**158**	**(12,702)**
NET CASH USED IN INVESTING ACTIVITIES	**(377)**	**-**	**(377)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net financial income/(loss) proceeds	(67)	(2)	(69)
Financial leases	243	(156)	87
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**15,995**	**(158)**	**15,837**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,759**	**-**	**2,759**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**4,402**	**-**	**4,402**
CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS	**33,044**	**-**	**33,044**

NOTE 3 CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

IN € THOUSANDS	06/30/2019	12/31/2018
Cash	11,701	864
Cash equivalents	8	1,021
CASH AND CASH EQUIVALENTS	**11,709**	**1,885**
OTHER CURRENT FINANCIAL ASSETS	**1,081**	**15,015**
TOTAL	**12,790**	**16,900**
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 4 OTHER CURRENT ASSETS

IN € THOUSANDS	06/30/2019	12/31/2018
Research tax credits, current portion	6,699	8,041
Government – recoverable VAT and tax receivables	282	312
Accrued credit notes	3	101
Employee benefits expense	21	26
Grant receivable	71	-
Exchange rate differences	5	3
Prepaid expenses, current portion	3,182	3,144
Suspense account	46	-
Accrued interest	12	-
TOTAL	**10,321**	**11,627**

The current portion of tax credits mainly represents the amount receivable on the 2016 research tax credit that is expected to be paid by the State in the first half of 2020 (see Note 8).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

IN € THOUSANDS	12/31/2018	Increase	Decrease	06/30/2019
GROSS CARRYING VALUE				
Land	1,771	-	-	1,771
Buildings and fixtures	16,275	82	-	16,357
Right of use	933	205	(933)	205
Laboratory equipment	10,693	286	(326)	10,653
Office and computer equipment	1,614	43	(15)	1,642
Assets in progress	71	1,005	(389)	687
TOTAL	**31,357**	**1,621**	**(1,663)**	**31,315**
DEPRECIATION AND PROVISIONS				
Buildings and fixtures	(9,000)	(380)	-	(9,380)
Right of use	(830)	(21)	830	(21)
Laboratory equipment	(6,743)	(286)	279	(6,750)
Office and computer equipment	(1,463)	(31)	15	(1,479)
TOTAL	**(18,036)**	**(718)**	**1,124**	**(17,630)**
NET BOOK VALUE	**13,321**	**903**	**(539)**	**13,685**

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

IN € THOUSANDS	06/30/2019	06/30/2018
Research and development expenses	867	985
General and administrative expenses	25	33
TOTAL DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT	**892**	**1,018**

NOTE 6 INTANGIBLE ASSETS

IN € THOUSANDS	12/31/2018	Increase	Decrease	06/30/2019
GROSS CARRYING VALUE				
Intangible assets	4,234	-	-	4,234
Intangible assets in progress	-	27	(3)	24
TOTAL	**4,234**	**27**	**(3)**	**4,258**
Depreciation and provisions	(4,054)	(39)	-	(4,093)
TOTAL	**(4,054)**	**(39)**	**-**	**(4,093)**
NET BOOK VALUE	**180**	**(12)**	**(3)**	**165**

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

IN € THOUSANDS	06/30/2019	06/30/2018
Research and development expenses	35	58
General and administrative expenses	5	13
TOTAL DEPRECIATION OF INTANGIBLE ASSETS	**40**	**71**

NOTE 7 FINANCIAL ASSETS

7.1 NON-CURRENT FINANCIAL ASSETS

IN € THOUSANDS	12/31/2018	Increase	Decrease	06/30/2019
GROSS CARRYING VALUE				
Financial assets	3,700	354	(1,199)	2,855
Equity interest receivables	-	-	-	-
Non-consolidated equity securities without significant influence	41,458	-	-	41,458
Equity securities	29	-	-	29
TOTAL	**45,187**	**354**	**(1,199)**	**44,342**
Provisions for impairment	(29)	-	-	(29)
NET BOOK VALUE	**45,158**	**354**	**(1,199)**	**44,313**

The increase in financial assets in the first half of 2019 was primarily due to the holdback with respect to the use of the 2018 research tax credit (see Note 9.2) in the amount of €289 thousand.

The decrease in financial assets relates mainly to repayment of the holdback to guarantee the bank financing of the 2015 research tax credit (see Note 9) in the amount of €1,164 thousand.

Of the non-consolidated equity securities without significant influence, €41,458 thousand relates to the Tasly BioPharmaceuticals shares obtained in July 2018.

At June 30, 2019, the shares representing 8.25% in ElsaLys Biotech SA, which were consolidated by the equity method until December 31, 2018, were re-classified as unconsolidated equity securities and without significant influence using the IAS 28 criteria. The fair value of ElsaLys Biotech SA was zero at June 30, 2019.

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	12/31/2018	Increase	Decrease	06/30/2019
GROSS CARRYING VALUE				
ElsaLys Biotech SA	1,694	-	(1,694)	-
TOTAL	**1,694**	**-**	**(1,694)**	**-**
Share of profit/(loss) of ElsaLys Biotech SA	(1,694)	-	1,694	-
TOTAL SHARE OF PROFIT/(LOSS) ATTRIBUTABLE TO TRANSGENE	**(1,694)**	**-**	**1,694**	**-**
ElsaLys Biotech SA	-	-	-	-
NET VALUE OF EQUITY INVESTMENTS IN AFFILIATES	**-**	**-**	**-**	**-**

At June 30, 2019 ElsaLys Biotech SA (8.25% owned) was no longer consolidated by the equity method.

The deconsolidation did not have a significant impact on the consolidated financial statements as at June 30, 2019, since equity investments in affiliates were reclassified as non-current financial assets and measured at fair value as of the deconsolidation date and that fair value was zero at June 30, 2019.

NOTE 8 OTHER NON-CURRENT ASSETS

IN € THOUSANDS	06/30/2019	12/31/2018
Research Tax Credit (RTC), non-current portion	8,507	17,484
Tax credit for Competitiveness and Employment (CICE), non-current portion	243	362
Other receivables, non-current portion	338	-
Prepaid expenses, non-current portion	256	135
Receivables from the sale of participating interests, non-current portion	1,870	2,253
OTHER NON-CURRENT ASSETS	**11,214**	**20,234**

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

The Company has a receivable of €8,507 thousand on the 2017 and 2019 RTCs.

In June 2019, the Company signed an agreement to sell a research tax credit to a banking establishment. The Company thereby received €5,501 thousand for the 2018 RTC (representing 95% financing) and no longer has a credit with the French government. This new financing agreement is considered deconsolidating, and unlike previous RTC financing, no liability is recognized in connection with this financing received.

The 2017 and 2018 CICE totaled €243 thousand.

The remaining 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	06/30/2019	12/31/2018
RTC – CURRENT PORTION			
2015	2019	-	7,759
2016	2020	6,297	-
TOTAL CURRENT PORTION		**6,297**	**7,759**
RTC – NON-CURRENT PORTION			
2016	2020	-	6,297
2017	2021	5,397	5,397
2018	2022	-	5,790
June 2019	2023	3,110	-
TOTAL NON-CURRENT PORTION		**8,507**	**17,484**
TOTAL RTC		**14,804**	**25,243**
CICE – CURRENT PORTION			
2015	2019	282	282
2016	2020	119	-
TOTAL CURRENT PORTION		**401**	**282**
CICE - NON-CURRENT PORTION			
2016	2020	-	120
2017	2021	134	133
2018	2022	109	109
TOTAL NON-CURRENT PORTION		**243**	**362**
TOTAL CICE		**644**	**644**

RECEIVABLES FROM THE SALE OF PARTICIPATING INTERESTS

In 2014, the Company sold the equity securities that it held in Jennerex, Inc. to SillaJen. This sale resulted in a selling price composed of a fixed part payable upon the signature of the sale and a variable part consisting of future milestones based on events related to the stage of development of the product and subject to conditions, considered as a financial asset measured at amortized cost and re-valued annually according to variations in the expected flows.

As at June 30, 2019, receivable from the sale of participating interests was valued at €1,870 thousand. This receivable has been measured taking into account the best possible estimate of the dates of payment milestones in the years to 2024. 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. WACC was 14%. The change in fair value at each balance sheet date is recorded in Financial income/(expense).

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 13% on the value of the receivable. Since these milestones are payable in American dollars, the valuation of the debt is directly impacted by any change in the euro/dollar exchange rate.

In the absence of payment by SillaJen of the earnout due since 2017, Fortis, which represents the former shareholders of Jennerex Inc., decided to institute legal proceedings in Delaware, USA, in September 2018. A second milestone was reached in February 2019. These milestones represented US$2,064 thousand at June 30, 2019. The Company believes that a resolution of the dispute can be expected in late 2020. The Company estimates that no impairment is to be recorded on this debt, in particular due to the analysis of the contract performed by the representative of the former shareholders.

NOTE 9 FINANCIAL LIABILITIES

The following table breaks down financial liabilities by maturity:

IN € THOUSANDS	06/30/2019	12/31/2018
Financial liabilities, current portion	8,119	11,313
Financial liabilities, non-current portion	42,181	48,369
FINANCIAL LIABILITIES	**50,300**	**59,682**

9.1 FINANCIAL LIABILITIES, CURRENT PORTION

IN € THOUSANDS	06/30/2019	12/31/2018
Property lease (see Note 9.2)	1,130	1,107
Equipment lease (see Note 9.2)	167	171
Lease obligation (see Note 9.2)	73	106
Financing of RTC and CICE (see Note 9.2).	6,665	8,033
Interest on bank loan (see Note 9.2).	84	1,896
FINANCIAL LIABILITIES, CURRENT PORTION	**8,119**	**11,313**

9.2 FINANCIAL LIABILITIES, NON-CURRENT PORTION

IN € THOUSANDS	06/30/2019	12/31/2018
Property leasing	4,522	5,093
Equipment leasing	460	543
Lease obligation	112	-
Interest rate swap - fair value (see Note 23)	232	256
Conditional advances	21,215	20,446
Financing of RTC	5,397	11,654
Financing of CICE	243	377
Bank loan	10,000	10,000
FINANCIAL LIABILITIES, NON-CURRENT PORTION	**42,181**	**48,369**

PROPERTY LEASING

	06/30/2019		12/31/2018	
	MINIMUM PAYMENTS	PRESENT VALUE OF THE PAYMENTS	MINIMUM PAYMENTS	PRESENT VALUE OF THE PAYMENTS
Due within one year	1,188	1,171	1,177	1,160
Due in one to five years	4,640	4,402	4,148	3,948
More than five years	-	-	1,094	1,004
Total future minimum lease payments	5,828	5,573	6,419	6,112
Finance costs included in the total	175	169	217	211
Outstanding principal:	5,653	5,404	6,199	5,901
- *of which current*	*1,130*	*1,115*	*1,106*	*1,090*
- *of which non-current*	*4,523*	*4,289*	*5,093*	*4,811*

EQUIPMENT LEASING

In 2018 Transgene signed a financial lease on an isolator for the gross amount of €836 thousand, payable over 5 years. At June 30, 2019, €627 thousand remained payable over 4 years (of which €167 thousand was due short-term).

LEASE OBLIGATION

The lease obligation of €112 thousand reflects the leasing of office and laboratory space in Lyon pursuant to IFRS 16, whereby the right of use is debited to property, plant and equipment.

CONDITIONAL ADVANCES

At June 30, 2019, conditional advances referred to reimbursable advances received under the ADNA ("Advanced Diagnostics for New Therapeutic Approaches") program, which receives public funding from Bpifrance for the development of the TG4010 and TG4001 products. This program ended on December 31, 2016. Transgene received a total of €15,942 thousand of reimbursable advances under this program.

As at June 30, 2019, the liability consisting of reimbursable advances in the Company's balance sheet amounts to €21,215 thousand. At closing, the Company re-values its reimbursable advances received under the ADNA program in accordance with the discounted expected future reimbursements.

The reimbursement of advances is subject to the fulfillment of a revenue threshold on TG4010 and TG4001 products predetermined for the following five years, and in proportion to the revenue from these products until a reimbursement ceiling is reached, or up until 2035. The expected discounted future reimbursements are thus estimated on the basis of an evaluation of future direct and indirect revenue associated with the TG4010 and TG4001 products being developed.

The remaining assumptions used by Management in the measurement of the liability from reimbursable advances primarily concern:

- the schedule for the development and marketing of the products;
- the probability of success of the clinical phases;
- the target market, the penetration rate and the treatment price;
- the schedule and financial terms of a development and marketing partnership (payment on signature, payment based on milestones, royalties); and
- the discounted cash flow rate.

The assumptions used by management at June 30, 2019 did not change from December 31, 2018.
The change as at June 30, 2019 was due solely to the present discounting of future cash flows.

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 2016	**6,297**	Yes	6,297	-	939	**7,236**	6,256	-	**6,256**
RTC 2017	**5,397**	Yes	-	5,397	809	**6,206**	-	5,397	**5,397**
RTC 2018	**5,790**	Yes	-	-	289	**289**	-	-	**-**
RTC 2019	**3,110**	No	-	3,110	-	**3,110**	-	-	**-**
TOTAL RTC	**20,594**	**-**	**6,297**	**8,507**	**2,037**	**16,841**	**6 ,256**	**5,397**	**11,653**
CICE 2015	**282**	Yes	282	-	41	**323**	275	-	**275**
CICE 2016	**120**	Yes	120	-	21	**141**	145	-	**145**
CICE 2017	**133**	Yes	-	133	18	**151**	-	118	**118**
CICE 2018	**109**	Yes	-	109	17	**126**	-	114	**114**
TOTAL CICE	**644**	**-**	**402**	**242**	**97**	**741**	**420**	**232**	**652**

In June 2019, the Company signed an agreement to sell a research tax credit to a banking establishment. The Company thereby received €5,501 thousand for the 2018 research tax credit (representing 95% financing) and no longer has a credit with the French government. This new financing agreement was deconsolidating, and, unlike previous RTC financing, no financial liability is recognized in connection with receiving these sources of financing.

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. The second €10 million tranche, exercisable until December 31, 2017, was not drawn down by the Company.

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. The interest due is not capitalized. The accumulated interest of the first three years was paid in the first half of 2019 in the amount of €2,250 thousand.

Interest due at June 30, 2019 is recognized in Current financial liabilities (€24 thousand).

No guarantee was provided by the Company for this loan.

NATIXIS CREDIT FACILITY

In April 2019 the Company signed a revolving credit agreement with Natixis, capped at €20 million, which can be drawn down once or on several occasions. As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This loan agreement runs for 30 months until July 2021. As is typical of revolving loans, the amounts drawn down must be repaid in full by the end of the program at the latest.

At June 30, 2019, the Company had not drawn down on this credit facility. The fees on undrawn amounts were recognized in Current financial liabilities, in the amount of €60 thousand.

NOTE 10 PROVISIONS FOR RISKS

IN € THOUSANDS	12/31/2018	PROVISIONS	RETAINED EARNINGS	REVERSALS NOT APPLICABLE	USE OF THE PROVISION	06/30/2019
Risk of charge	76	-	-	-	(65)	11
TOTAL PROVISIONS FOR RISKS	**76**	**-**	**-**	**-**	**(65)**	**11**

The provision for expense risks at December 31, 2018 consisted primarily of the risk of normal compliance with payroll taxes. The final notice was received in the first half of 2019, for €83 thousand.

NOTE 11 OTHER LIABILITIES

OTHER CURRENT LIABILITIES

IN € THOUSANDS	06/30/2019	12/31/2018
Tax and social liabilities	3,384	2,967
Prepaid income, of which: • *Revenue from collaboration and licensing* • *Research and development grants*	7,903 *7,903* -	333 *333* -
Other short-term payables	165	163
TOTAL	**11,452**	**3,463**

OTHER LIABILITIES, NON-CURRENT PORTION

IN € THOUSANDS	06/30/2019	12/31/2018
Tax and social liabilities	-	-
Deferred income, of which: • *Revenue from collaboration and licensin* • *Research and development grants*	647 *647* -	158 *158* -
Other long-term liabilities	-	-
TOTAL	**647**	**158**

Prepaid income refers mainly to the payment made upon signing the collaboration agreement with AstraZeneca in April 2019, of which €7,578 thousand was the current portion and €647 thousand the non- current portion.

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:

IN € THOUSANDS	06/30/2019	12/31/2018
Discount rate	1.70 %	1.70 %
Expected long-term inflation rate	1.75 %	1.75 %
Rate of future salary increases	1.50 %	1.50 %
Retirement age: • *managers:* • *non-managers:*	 age 65 age 63	 age 65 age 63
PROVISION (IN € THOUSANDS)	**3,942**	**3,778**

Transgene agreed under the 2016 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

At June 30, 2019, the number of outstanding shares of Transgene was 62,449,098, representing share capital of €62,449,098.

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.

	06/30/2019	06/30/2018
BASIC EARNINGS PER SHARE		
Available net profit (in € thousands)	(15,342)	(14,873)
Average number of shares outstanding	62,449,098	62,275,923
BASIC EARNINGS PER SHARE (IN €)	**(0.25)**	**(0.24)**
DILUTED EARNINGS PER SHARE (IN €)	**(0.25)**	**(0.24)**

In the first half of 2018 and 2019, 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 2018 and of 2019 were identical to basic earnings per share.

13.3 STOCK OPTION PLANS

Transgene did not grant any new stock options during the first half of 2019. The number of options outstanding at December 31, 2018 amounted to 329,063, of which 329,063 were exercisable. No change has occurred since this date.

The cost of services rendered is recognized as an expense over the vesting period. There was no expense in the first half of 2019, just as in the first half of 2018.

13.4 FREE SHARE PLANS

On March 20, 2019, Transgene's Board of Directors voted to allocate 414,800 new free shares to Company employees. The free shares will vest thirteen months after allocation to employees who are still with the Company. The total number of free shares allocated and being acquired was 398,400 shares at December 31, 2018.

The cost of services rendered is recognized as an expense over the vesting period. The expense was €290 thousand in the first half of 2019, excluding the URSSAF (social security) contribution, and €202 thousand in the first half of 2018.

NOTE 14 OPERATING INCOME

14.1 REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

IN € THOUSANDS	06/30/2019	06/30/2018
Revenue from research and development collaboration	1,414	582
License fees and royalties	49	23
TOTAL	**1,463**	**605**

In the first half of 2019, the Company entered into a collaboration agreement with AstraZeneca with exclusive licensing options to co-develop oncolytic immunotherapies derived from the Invir.IO® platform. In the first half of 2019 Transgene thus received €8.9 million (US$10 million) in fees for access to its platform. Pursuant to IFRS 15.41 and inasmuch as Transgene has not transferred control of a pre-existing intellectual property and as AstraZeneca receives the benefits of the licensed rights as and when the research plan is carried out, this initial payment is recognized in income against the progress of the associated activities and measured against the costs incurred by Transgene to carry out its contractual obligations. Additional pre-clinical success milestones up to $3 million can be paid. Transgene is eligible to receive an option exercise payment on each candidate in the event AstraZeneca exercises one or several license options, as well as development and commercial milestones and royalties. Over the period, the income recognized under this collaboration agreement was €675 thousand.

The €8,225 thousand balance not recognized at this time was recorded in Prepaid income at June 30, 2019 (see Note 11)

Under the collaboration agreement signed by the Company with Les Laboratoires Servier in June 2017, an initial payment of €1 million was invoiced. The income related to this initial payment is recognized over the term of the 3-year contract based on the transfer of services to the customer, which represents an income of €167 thousand recorded at June 30, 2019. The €324 thousand balance not recognized at this time was recorded in Prepaid income at June 30, 2019 (see Note 11).

14.2 PUBLIC FUNDING FOR RESEARCH EXPENSES

IN € THOUSANDS	06/30/2019	06/30/2018
Research and development grants	71	-
Research tax credit, net	3,061	2,837
TOTAL	**3,132**	**2,837**

The gross research tax credit, excluding advisory fees, for the first half of 2019 was €3,310 thousand.

14.3 OTHER INCOME

IN € THOUSANDS	06/30/2019	06/30/2018
Other income	314	106
TOTAL OTHER INCOME	**314**	**106**

Other income refers mainly to the reversal of a provision of €200 thousand for ABL Lyon. The payment was made in the first half of the year 2019.

NOTE 15 OPERATING EXPENSES

15.1 RESEARCH AND DEVELOPMENT EXPENSES

IN € THOUSANDS	06/30/2019	06/30/2018	CHANGE
Payroll costs	5,760	5,932	-3%
Share-based payments	191	129	+48%
Intellectual property expenses and licensing costs	505	434	+16%
External expenses for clinical projects	4,649	3,677	+26%
External costs on other projects	813	678	+20%
Operating costs	1,848	1,871	-1%
Depreciation, amortization and provisions	902	1,043	-14%
RESEARCH AND DEVELOPMENT EXPENSES	**14,668**	**13,764**	**+7%**

15.2 GENERAL AND ADMINISTRATIVE EXPENSES

IN € THOUSANDS	06/30/2019	06/30/2018	CHANGE
Payroll costs	1,522	1,668	-9%
Share-based payments	99	73	+36%
Fees and administrative expenses	1,563	780	+100%
Other G&A expenses	359	396	-9%
Depreciation, amortization and provisions	30	46	-35%
GENERAL AND ADMINISTRATIVE EXPENSES	**3,573**	**2,963**	**+20%**

15.3 OTHER EXPENSES

IN € THOUSANDS	06/30/2019	06/30/2018
Net carrying value of disposals of fixed assets	(46)	(11)
Other expenses	(95)	(71)
TOTAL OTHER EXPENSES	**(141)**	**(82)**

NOTE 16 FINANCIAL INCOME/(LOSS)

IN € THOUSANDS	06/30/2019	06/30/2018
Investment income	29	48
Cost of debt	(558)	(529)
BORROWING COSTS NET OF INVESTMENTS	**(529)**	**(481)**
Other financial income and expenses	(1,180)	(640)
Foreign exchange gains/(losses)	(161)	12
OTHER FINANCIAL INCOME AND EXPENSES	**(1,341)**	**(628)**
NET FINANCE COST	**(1,870)**	**(1,109)**

Other financial expenses refer principally to the discounting of the liability to Bpifrance on reimbursable ADNA advances of €769 thousand in the first half of 2019, as compared to €760 thousand in the first half of 2018, and to the discounting of the receivable from selling SillaJen equity in the amount of €383 thousand versus income of €148 thousand in the first half of 2018.

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 2018 or 2019.

17.2 DEFERRED TAXES

No deferred tax assets were recognized at June 30, 2019, due to the uncertainty of taxable income being generated over the next three years.

NOTE 18 PERSONNEL

18.1 PERSONNEL

The Company's registered workforce totaled 146 employees at June 30, 2019, including one person with Transgene, Inc.

JUNE 30, 2019	MEN	WOMEN	TOTAL
Managers	39	64	103
Other grades	14	29	43
TOTAL	**53**	**93**	**146***

**Including 132 open-ended employment contracts at June 30, 2019*

The Company had 147 employees as of December 31, 2018.

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	06/30/2019	06/30/2018
Research and development expenses	5,760	5,932
General and administrative expenses	1,522	1,668
TOTAL EMPLOYEE BENEFITS EXPENSES	**7,282**	**7,600**

Expenses relating to share-based payments amounted to:

IN € THOUSANDS	06/30/2019	06/30/2018
Research and development expenses	191	129
General and administrative expenses	99	73
TOTAL	**290**	**202**

NOTE 19 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 €1,081 thousand at June 30, 2019. Interest income at June 30, 2019 was €9 thousand.

The table below does not include these cash items.

06/30/2019 - IN € THOUSANDS	RECEIVABLES	PAYABLES
ABL Europe SAS [(1)]	20	105
ABL Lyon	-	1
bioMérieux, Inc. [(2)]	-	75
bioMérieux SA	1	-
Elsalys Biotech SA [(3)]	1,385	-
Institut Mérieux [(4)]	-	36
Mérieux Université	-	7
TOTAL	**1,406**	**224**

06/30/2019 - IN € THOUSANDS	REVENUE	EXPENSES
ABL Europe SAS [(1)]	99	1,189
ABL Lyon	-	9
bioMérieux, Inc. [(2)]	-	302
bioMérieux SA	-	-
Elsalys Biotech SA [(3)]	28	-
Institut Mérieux [(4)]	-	208
Mérieux Université	-	-
TOTAL	**127**	**1,708**

■ *(1) The revenue corresponding to the rent reinvoicing contract for hosting test labs. Expenses relate to the agreements for production services provided by ABL Europe to Transgene* ■ *(2) Expenses related to the agreements 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.* ■ *(4) Expenses related to the agreements for services provided by Institut Mérieux.*

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 undertook to place an annual order worth €3 million for the three years. This commitment ended in February 2019.

Transgene is also bound by contracts with subcontractors. That could have an impact over several accounting periods. As of June 30, 2019, the Company estimated the current value of its financial commitments under these agreements to be approximately €15 million.

In April 2019 the Company signed a revolving credit agreement, capped at €20 million, which can be drawn once or on several occasions. As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This loan agreement runs for 30 months until July 2021. As is typical of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest. Interest due in the first half of 2019 was €60 thousand.

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, 2019 ASSETS (IN € THOUSANDS)	GROSS AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR
Financial fixed assets	2,855	1,002	1,853
Trade receivables	1,996	1,996	-
RTC, CICE	15,449	6,699	8,750
Government, VAT and other local authorities	282	282	-
Personnel and related accounts	21	21	-
Prepaid expenses	3,438	3,182	256
Grant receivable	71	71	-
Receivables from the sale of equity investment	1,870	-	1,870
TOTAL ASSETS	**25,982**	**13,253**	**12,729**

JUNE 30, 2019 LIABILITIES (IN € THOUSANDS)	GROSS AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR AND LESS THAN OR EQUAL TO FIVE YEARS	MORE THAN FIVE YEARS
Trade payables	5,820	5,820	-	-
Property leasing	5,653	1,130	4,523	-
Equipment leasing	627	167	460	-
Lease obligation	183	68	115	-
Conditional advances	21,215	-	-	21,215
Financing of RTC and CICE	12,305	6,676	5,629	-
Bank loan	10,000	-	10,000	-
Provisions for risks and liabilities	11	5	6	-
Provisions for retirement	3,942	205	1,498	2,239
Accrued employee benefits and tax expense	3,384	3,384	-	-
Prepaid income	8,549	7,902	647	-
Other liabilities	397	165	232	-
TOTAL LIABILITIES	**72,086**	**25,522**	**23,110**	**23,454**

NOTE 23 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, 2019, the market value of the hedging instrument was an unrealized loss of €232 thousand.

NOTE 24 FINANCIAL INSTRUMENTS

JUNE 30, 2019 IN € THOUSANDS	ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	RECEIVABLES, PAYABLES, BORROWINGS, AT AMORTIZED COST	DERIVATIVE INSTRUMENTS	CARRYING AMOUNT	FAIR VALUE	LEVEL
FINANCIAL ASSETS						
Cash and cash equivalents	11,709	-	-	11,709	11,709	1
Other current financial assets	1,081	-	-	1,081	1,081	2
Trade receivables	-	914	-	914	914	-
Financial assets	41,458	2,855	-	44,313	44,313	3
Receivable on non-current financial assets	-	-	-	-	-	2
Other non-current assets	-	1,870	-	1,870	1,870	3
TOTAL FINANCIAL ASSETS	**54,248**	**5,639**	**-**	**59,887**	**59,887**	**-**
FINANCIAL LIABILITIES						
Borrowings from credit institutions, long-term portion	-	15,641	-	15,641	15,641	2
Lease commitment, long-term portion	-	4,982	-	4,982	4,982	2
Lease obligation	-	111	-	111	111	-
Conditional advances	-	21,215	-	21,215	21,215	3
Other non-current financial liabilities	-	-	232	232	232	2
NON-CURRENT FINANCIAL LIABILITIES	**-**	**41,949**	**232**	**42,181**	**42,181**	**-**
Borrowings from credit institutions, short-term portion	-	6,749	-	6,749	6,749	2
Finance leasing, short-term portion	-	1,297	-	1,297	1,297	2
Lease obligation	-	73	-	73	73	-
CURRENT FINANCIAL LIABILITIES	**-**	**8,119**	**-**	**8,119**	**8,119**	**-**
TRADE PAYABLES	**-**	**5,820**	**-**	**5,820**	**5,820**	**-**
TOTAL FINANCIAL LIABILITIES	**-**	**55,888**	**232**	**56,120**	**56,120**	**-**

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

On July 02, 2019 Transgene completed a €48.7 million share capital increase through a rights issue with preferential subscription rights, extending the Company's financial visibility until 2022.

This capital increase, launched June 14, 2019, resulted in the issuance of €20,816,366 new shares priced at €2.34 (comprising €1 in nominal value and €1.34 for the issue premium).

After the capital increase, the Company's share capital amounted to €83,265,464 divided into 83,265,464 shares with a nominal value of €1.00 each.

Through its subsidiary TSGH, the Institut Mérieux subscribed 11,810,664 new shares on a non-reducible basis and 3,081,010 on a reducible basis, thus enabling it to own 60.44% of Transgene's equity. Additionally, Dassault Belgique Aviation subscribed 1,196,714 new shares on a non-reducible basis reduction providing it with 4.98% of Transgene's equity.

In July 2019, the Company refinanced the 2016 and 2017 research tax credit with a new banking establishment, for 95% of their value, or €5,982 thousand and €5,127 thousand respectively.

As with the financing from the 2018 research tax credits, the new financing agreements are deemed deconsolidating, and therefore the 2016 and 2017 receivables were taken off the balance sheet in July 2019, as were the financial liabilities associated with their prior financing.

In August 2019, the Company announced the termination of the PHOCUS trial of Pexa-Vec in liver cancer following the recommendation of the Independent Data Review Committee (IDRC) to suspend patient recruitment given the interim futility analysis. In the opinion of the IDRC, the primary evaluation criterion of product efficacy was unlikely to be met in the final analysis.

2.

HALF-YEARLY MANAGEMENT REPORT

2.1 ■ KEY EVENTS IN THE FIRST HALF OF 2019

The first half of 2019 saw significant advancement and progress in our business.

Our clinical developments progressed in line with our plans and we could announce in May 2019 the inclusion of all patients in the Phase 2 trial to evaluate TG4010 combined with Opdivo® (nivolumab) and a standard first-line chemotherapy treatment of advanced non-epidermoid, non-small cell lung cancer.

We also increased the value of certain clinical products by the publication of two scientific articles reflecting the potential of TG4001, in Gynecologic Oncology, and TG6002, in Molecular Therapy Oncolytics. These data confirm that the therapeutic vaccine TG4001 administered in monotherapy has a statistically significant curative action at 30 months. Preclinical data also demonstrated that TG6002 combines improved selectivity with strong anti-cancer action.

In terms of preclinical activities, the first half of this year saw the progress of both our technology platforms: Invir.IO®, a new generation of oncolytic viruses and myvac™, an individualized immunotherapy. In May 2019 a collaboration agreement with exclusive licensing options was signed with AstraZeneca to co-develop five new oncolytic viruses from Invir.IO®. This collaboration enabled Transgene to receive US$10 million upon signing, to which may be added milestone payments based on the development process. Transgene is eligible to receive an option exercise payment on each candidate in the event AstraZeneca exercises its license option, as well as development and commercial milestones and royalties. Besides this partnership, Transgene extended its collaboration with BioInvent on the development of a new oncolytic virus encoding for undisclosed antibodies sequences capable of treating a broad range of solid tumors (March 2019).

Transgene also continued to develop the myvac™ platform by preparing TG4050 to enter clinical development. TG4050 is an individualized immunotherapy derived from the myvac™ platform as part of our partnership with NEC. Notably, Transgene has obtained regulatory authorizations to launch two Phase 1 clinical trials—one in the United States for patients with ovarian cancer (May 2019) and the other in the United Kingdom for patients with head and neck cancer (July 2019).

Transgene also strengthened its financial structure. In March 2019, with the Curie Institute, HalioDx and Traaser, the Company set up the Neoviva consortium, which obtained financing of about €5 million from Bpifrance, out of which Transgene will receive €2.6 million (€0.2 million in grants and €2.4 million in reimbursable advances), staggered over five years. Also, in March 2019, Transgene obtained a renewable €20 million credit line from Natixis, available for a period of 30 months. Transgene has used its shares in the Chinese biotech company Tasly Biopharmaceuticals as collateral for this loan. On June 24, 2019, Tasly Biopharmaceuticals filed its draft initial public offering document with the Hong Kong Stock Exchange.

Lastly, in June 2019 Transgene raised €48.7 million in new equity with a share capital increase with shareholders' preferential subscription rights in order to carry out its clinical development plan on its new product platforms myvac™ and Invir.IO® and to be in a position to negotiate partnership and co-development agreements based on upcoming clinical data.

The outcome of this transaction, announced on July 2, 2019, resulted in net proceeds of €47.1 million.

2.2 FINANCIAL RESULTS

OPERATING INCOME:

The table below breaks down revenue from continuing operations for the first half of 2019 compared to the same period in 2018:

IN € MILLIONS	06/30/2019	06/30/2018
Revenue from collaborative and licensing agreements	1.5	0.6
Public funding for research expenses	3.1	2.8
Other income	0.3	0.1
OPERATING INCOME	**4.9**	**3.5**

In the first half of 2019, the Company entered into a collaboration agreement with AstraZeneca with exclusive licensing options to co-develop oncolytic immunotherapies derived from the Invir.IO® platform. In the first half of 2019 Transgene thus received €8.9 million (US$10 million) in fees for access to its platform. Pursuant to IFRS 15.41 and inasmuch as Transgene has not transferred control of a pre-existing intellectual property and as AstraZeneca receives the benefits of the licensed rights as and when the research plan is carried out, this initial payment is recognized in income against the progress of the associated activities and measured against the costs incurred by Transgene to carry out its contractual obligations. Additional pre-clinical success milestones up to $3 million can be paid. Transgene is eligible to receive an option exercise payment on each candidate in the event AstraZeneca exercises one or several license options, as well as development and commercial milestones and royalties. Over the period, the income recognized under this collaboration agreement was €675 thousand.

In the first half of 2019, public funding for research expenses mainly consisted of the research tax credit. It amounted to €3.1 million for the first half of 2019 compared to €2.8 million for the same period in 2018.

The research tax credit for the first half of 2019 was calculated on the eligible expenses as of June 30, 2019.

Other income amounted to €0.3 million in the first half of 2019, compared to €0.1 million for the first half of 2018.

OPERATING EXPENSES:

Research and development (R&D) expenses amounted to €14.7 million in the first half of 2019 compared to €13.8 million for the same period in 2018.

The following table details R&D expenses by type:

IN € MILLIONS	06/30/2019	06/30/2018
Payroll costs	5.8	5.9
Share-based payments	0.2	0.1
Intellectual property expenses and licensing costs	0.5	0.4
External expenses for clinical projects	4.7	3.8
External costs on other projects	0.8	0.7
Operating costs	1.8	1.9
Depreciation, amortization and provisions	0.9	1.0
RESEARCH AND DEVELOPMENT EXPENSES	**14.7**	**13.8**

Employee benefits expenses for R&D personnel (salaries and related charges and expenses) amounted to €5.8 million in the first half of 2019 compared to €5.9 million for the same period in 2018.

Intellectual property and licensing expenses amounted to €0.5 million in the first half of 2019 compared to €0.4 million for the same period in 2018.

External expenses for clinical projects amounted to €4.7 million in the first half of 2019, compared to €3.8 million for the same period in 2018, due to the acceleration of clinical trials in 2019.

External expenses for other projects (research, preclinical and industrial projects) totaled €0.8 million in the first half of 2019, versus €0.7 million for the same period in 2018.

Operating expenses, including costs to operate research laboratories, amounted to €1.8 million in the first half of 2019 compared to €1.9 million for the same period in 2018.

General and administrative expenses amounted to €3.6 million in the first half of 2019 compared to €3.0 million for the same period in 2018.

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

IN € MILLIONS	06/30/2019	06/30/2018
Payroll costs	1.5	1.7
Share-based payments	0.1	0.1
Fees and administrative expenses	1.6	0.8
Other G&A expenses	0.4	0.4
Depreciation, amortization and provisions	0.0	0.0
GENERAL AND ADMINISTRATIVE EXPENSES	**3.6**	**3.0**

Payroll costs amounted to €1.5 million in the first half of 2019, versus €1.7 million for the same period in 2018.

External expenses, largely fees and management expenses, were €1.6 million in the first half of 2019, primarily due to consulting fees for the collaboration and financing agreements signed in the period.

■ OTHER EXPENSES:

Other expenses amounted to €0.1 million in the first half of 2019, as was the case for the same period in 2018..

■ FINANCIAL INCOME/(LOSS):

Net interest expense amounted to €1.9 million in the first half of 2019 compared to an expense of €1.1 million for the same period in 2018.

Financial income (short-term investment income) was €33 thousand in the first half of 2019, compared to €0.2 million for the first half of 2018.

Financial costs amounted to €1.9 million in the first half of 2019, compared to €1.3 million in the first half of 2018, and consisted mainly of:

- bank interest on the loan received from the EIB of €0.4 million (as was the case for the first half of 2018);
- €0.4 million from the discounting of the receivable from the sale of equity in SillaJen;
- the discounting of the debt owed to Bpifrance on the advances received under the ADNA program (€0.8 million in the first half of 2019, as in the first half of 2018).

■ NET COMPREHENSIVE INCOME/(LOSS):

The net comprehensive loss amounted to €15.3 million for the first half of 2019 compared to €14.9 million for the same period in 2018.

Net loss per share was €0.25 for the first half of 2019, compared to €0.24 for the same period in 2018.

■ INVESTMENTS:

Investments in tangible and intangible assets (net of disposals and right of use) were €0.7 million for the first half of 2019, compared to €1.1 million for the first half of 2018.

REIMBURSABLE ADVANCES AND LOANS:

No reimbursable advances were received by Transgene in the first half of 2019.

In June 2019, the Company signed an assignment agreement for 2018 research tax credit to a banking establishement. Transgene thereby received €5.5 million for this research tax credit. This new financing agreement was deconsolidating, and, unlike previous RTC financing, no liability is recognized in connection with the funds received.

In April 2019 the Company signed a revolving credit agreement, capped at €20 million, which can be drawn once or on several occasions. As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This loan agreement runs for 30 months until July 2021. As is typical of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest. Interest due in the first half of 2019 was €60 thousand.

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. The second €10 million tranche, exercisable until December 31, 2017, was not drawn down by the Company. 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. The interest due is not capitalized. The accumulated interest of the first three years was paid in the first half of 2019 in the amount of €2.25 million. Interest due at June 30, 2019 is recognized in Current financial liabilities (€24 thousand).

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, 2019, Transgene had €12.8 million in cash and other current financial assets, compared to €16.9 million at December 31, 2018.

NET CASH BURN:

Transgene's cash burn amounted to €4.1 million in the first half of 2019, compared with €8.3 million for the same period in 2018.

Transgene confirms its target net cash burn of approximately €20 million for 2019.

2.3 MAIN TRANSACTIONS WITH RELATED PARTIES

This information is disclosed in Note 19 of the 2019 interim financial statements published herein.

2.4 EVENTS AFTER THE REPORTING PERIOD

On July 02, 2019 Transgene completed a €48.7 million share capital increase through a rights issue with preferential subscription rights, extending the Company's financial visibility until 2022.

This capital increase, launched June 14, 2019, resulted in the issuance of €20,816,366 new shares priced at €2.34 (comprising €1 in nominal value and €1.34 for the issue premium).

After the capital increase, the Company's share capital amounted to €83,265,464 divided into 83,265,464 shares with a nominal value of €1.00 each.

Through its subsidiary TSGH, the Institut Mérieux subscribed 11,810,664 new shares on a non-reducible basis and 3,081,010 on a reducible basis, thus enabling it to own 60.44% of Transgene's equity. Additionally, Dassault Belgique Aviation subscribed 1,196,714 new shares on a non-reducible basis reduction providing it with 4.98% of Transgene's equity.

In July 2019, the Company refinanced the 2016 and 2017 research tax credit with a new banking establishment, for 95% of their value, or €5,982 thousand and €5,127 thousand respectively.

As with the financing from the 2018 research tax credits, the new financing agreements are deemed deconsolidating, and therefore the 2016 and 2017 receivables were taken off the balance sheet in July 2019, as were the financial liabilities associated with their prior financing.

In August 2019, the Company announced the termination of the PHOCUS trial of Pexa-Vec in liver cancer following the recommendation of the Independent Data Review Committee (IDRC) to suspend patient recruitment given the interim futility analysis. In the opinion of the IDRC, the primary evaluation criterion of product efficacy was unlikely to be met in the final analysis.

3.

STATUTORY AUDITORS' REPORT ON THE 2019 INTERIM FINANCIAL STATEMENTS

GRANT THORNTON
Membre français de Grant Thornton International
Cité Internationale – 44, quai Charles-de-Gaulle
69463 Lyon Cedex 06
CS 60095
S.A. au capital de € 2.297.184
632 013 843 R.C.S Nanterre

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

Transgene S.A.
Period from January 1 to June 30, 2019

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Transgene S.A. for the period from January 1 to June 30, 2019;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are under the Board of Directors' responsibility . 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.

Without qualifying our conclusion, we draw your attention to the matter set out in Note 1 "Accounting principles" to the condensed half-yearly consolidated financial statements regarding IFRS 16 leases accounting rules implemented as at January 1, 2019. The effects are described in Note 2.

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 and Paris-La Défense, September 18, 2019
The Statutory Auditors French original signed by

GRANT THORNTON
Françoise Méchin

ERNST & YOUNG et Autres
Cédric Garcia

4.

DECLARATION BY THE PERSON RESPONSIBLE FOR THIS INTERIM FINANCIAL REPORT

J'atteste, à ma connaissance, que les comptes consolidés pour le semestre écoulé sont établis conformément aux normes comptables applicables et donnent une image fidèle du patrimoine, de la situation financière et du résultat de la société Transgene et de l'ensemble des entreprises comprises dans la consolidation, et que le rapport semestriel d'activité ci-joint présente un tableau fidèle des événements importants survenus pendant les six premiers mois de l'exercice, de leur incidence sur les comptes, des principales transactions entre parties liées ainsi qu'une description des principaux risques et des principales incertitudes pour les six mois restants de l'exercice.

Philippe Archinard
Président-Directeur Général