

Transgene Reports First Half 2010 Results In Line with Expectations

Parc d'Innovation, Illkirch, France, September 1, 2010 – Transgene (Euronext Paris: TNG / FR0005175080) announces today its financial performance for the first half 2010.

The consolidated first half 2010 financial statements have been approved by the Board of Directors on September 1, 2010. The first half 2010 financial statements have been submitted to a limited review by the auditors and their corresponding report is currently in preparation.

Revenues

€ million	First Half 2010	First Half 2009	Trend
Manufacturing contracts (excluding Roche)	0.2	2.6	- 92 %
R&D services for Roche	0.9	0.3	+ 200 %
Novartis licence option	1.1	-	-
Revenues from licensees	0.8	0.2	+ 300 %
Research grants	0.5	0.7	- 29 %
Research tax credit	3.8	1.8	+ 111 %
Total revenues	7.3	5.6	+ 30 %

In the first half 2010, total revenues were €7.3m compared to €5.6m in the same period of 2009.

Revenues from third party manufacturing contracts amounted to €0.2m against €2.6m. The first half 2009 revenues essentially derived from the IAVI (International Aids Vaccine Initiative) manufacturing services performed in previous years.

R&D services for Roche (manufacturing of clinical batches and laboratory work) progressed significantly from €0.3m in the first half of 2009 to €0.9m in 2010. They related to various services and studies (stability, formulation, analytical assays development...) for TG4001/RG3484 (MVA-HPV-IL2) in the framework of the partnership agreement with Roche concluded in 2007.

In March 2010, Transgene received €7.4m (US\$ 10m) from Novartis relating to the signature of an exclusive option agreement for the development and commercialisation of Transgene's TG4010 (MVA-MUC1-IL2) product. This amount will be recognised as revenue on a straight-line basis until the start of the option exercise period currently expected in 2012. Transgene recorded revenues of €1.1m in the March to June 2010 period and deferred revenues amounted to €6.3m as of June 30, 2010.

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Revenues from licensees increased to €0.8m in the first half 2010 compared to €0.2m last year, mainly due to the payment by Crucell of royalties under a 2001 cross-license agreement relating to complementing cell-line technologies.

Research grants decreased from €0.7m in the first six months of 2009 to €0.5m in 2010. They related mainly to the ADNA programme (« Advanced Diagnostics for New Therapeutic Approaches ») financed by OSEO, the French Innovation Agency.

Research tax credits increased to €3.8m in the first half 2010 compared to €1.8m in the same period of 2009. This evolution is mainly due to the fact, in 2009, cash receipts from R&D grants and advances repayable that are deducted from eligible expenses were substantially higher. In the second quarter of 2010, Transgene received from the French tax authorities the 2009 tax credit amounting to €4.8m.

Operating Expenses

Research and Development expenses amounted to €18.6m in the first half of 2010 compared to €15.9m in the first half of 2009, mainly due to:

- higher expenses for the development of commercial manufacturing capabilities (process scale-up and new formulation studies, validation and quality control);
- the initiation of the HCVac Phase II clinical trial of TG4040 for the treatment of chronic hepatitis C.

Administrative and general expenses remained stable at €3.3m.

Interest Income

Interest income decreased from €0.4m in the first six months of 2009 to €0.2m in 2010, as a result of a substantial decline of market interest rates. Capital lease interest charges were down € 0.1m for the same reason.

Discounting charges for pension provisions and long-term repayable advances remained stable at €0.1m.

Net Loss

Transgene reported a net loss of €14.5m for the first six months of 2010 compared to a net loss of €13.5m for the same period of 2009.

Liquidity and Capital Resources

In June 2010, Transgene raised net proceeds of €1484m through the issuance of 9.5 million new shares at a subscription price of €16 per share.

As of 30th June, 2010, Transgene held €205.9m in cash, cash equivalents and other short-term financial assets. Most of Transgene's available funds are invested at money market rates in the treasury pool organized by Transgene's majority shareholder Institut Mérieux.

Excluding the capital increase, net cash expenditures for the first six months of 2010 were €7.2m compared to €5.1m in the same period of last year. In the first half of 2010, Transgene received €7.4m from Novartis relating to the option agreement concluded in March 2010 and €4.8m from the French tax authorities relating to the 2009 research tax credit.

Transgene currently anticipates an operating cash burn of the order of €30m for the full year of 2010.

In the first six months of 2010 and 2009, investments in tangible and intangible assets amounted to €1.2m and €2.6m, respectively. The 2010 investments related mainly to the implementation of a Laboratory Information Management System for the quality control department, sub-license technology payments and customary laboratory and production equipment. In 2009, investments related mainly to equipment and fittings of the new building commissioned in late 2008.

About Transgene

Transgene is a France-based biopharmaceutical company dedicated to the development of therapeutic vaccines and immunotherapeutic products in oncology and infectious diseases. The company has four compounds in clinical development: TG4010 having completed phase II trials, TG4001/RG3484 in phase IIb trial, TG4040 in phase II trial and TG4023 in phase I trial. Transgene has concluded strategic agreements for the development of two of its immunotherapy products:

- A license agreement with Roche for the development of TG4001/RG3484 to treat HPV-mediated diseases, and
- An option agreement with Novartis for the development of TG4010 to treat various cancers.

Transgene has bio-manufacturing capacities for viral-based products. Additional information about Transgene is available on the Internet at www.transgene.fr.

Cautionary note regarding forward-looking statements

This press release contains forward-looking statements referring to the anticipated cash consumption for 2010. The Company's anticipated operating cash consumption for 2010 is based on currently anticipated costs for on-going and planned product development and testing, but may increase in the event of unanticipated expenses. For further information on the risks and uncertainties involved in the testing and development of Transgene's product candidates, see Transgene's Document de Référence on file with the French Autorité des marchés financiers on its website at <http://www.amf-france.org> and on Transgene's website at www.transgene.fr.

For further information please contact:

Transgene

Philippe PONCET, CFO
+33 (0)3 88279121

Elisabetta Castelli, Director IR
+33 (0)1 44085505

MC Services

Raimund Gabriel
+49 89 210 228 30

APPENDIX

Condensed Consolidated Balance Sheets

(IAS/IFRS)	June 30,	December 31,
(Amounts in thousands of euros)	2010	2009
	(audited)	(audited)
ASSETS		
Fixed assets, net	23 493	23 571
Intangible assets, net	1 908	1 446
Financial assets, net	264	275
Other non-current assets	3 963	0
Total non-current assets	<u>29 628</u>	<u>25 292</u>
Cash, cash equivalents and other financial assets	205 864	64 693
Other current assets	3 840	8 679
Total current assets	<u>209 704</u>	<u>73 372</u>
Total assets	<u>239 332</u>	<u>98 664</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity	202 827	68 562
Liabilities, non current	21 126	18 854
Liabilities, current	15 379	11 248
Total liabilities and shareholders' equity	<u>239 332</u>	<u>98 664</u>

Condensed Consolidated Statements of Operations

(IAS/IFRS)

(Amounts in thousands of euros except share and per share data)

	Six months ended June 30,	
	2010	2009
	€	€
	(audited)	(audited)
Revenues		
Revenues from collaborative and licensing agreements	3 022	3 119
Grants and tax credit received for research	4 310	2 509
Total revenues	7 332	5 628
Operating expenses		
Research and development	(18 589)	(15 932)
General and administrative	(3 267)	(3 298)
Other operating gains and losses	156	52
Total operating expenses	(21 700)	(19 178)
Profit (loss) from operations	(14 368)	(13 550)
Interest and other income, net	(94)	16
Income tax	0	0
Net profit (loss)	(14 462)	(13 534)
Minority interests	0	0
Profit (loss) attributable to equity holders of the parent	(14 462)	(13 534)
Basic profit (loss) per ordinary share	(0,61)	(0,61)
Diluted profit (loss) per ordinary share	(0,61)	(0,61)

Comprehensive income

	Six months ended June 30,	
	2010	2009
	€	€
	(audited)	(audited)
Net profit (loss)	(14 462)	(13 534)
Change in conversion reserves	1	1
Change in fair market value of hedging instruments	(374)	(25)
Total of gains and losses in shareholder's equity	(373)	(24)
Comprehensive income	(14 835)	(13 558)
Attributable to equity holders of the parent	(14 835)	(13 558)
Minority interests	-	-

Condensed Consolidated Cash Flow Statement

(Amounts in thousands of Euros)
(IAS/IFRS)

	6 months ended june 30,	
	2010	2009
	€	€
	(audited)	(audited)
Cash flow from operating activities		
Operating loss	(14 367)	(13 550)
Adjustments for:		
Refundable advance	0	0
Change in provisions	95	93
Depreciation and amortization	1 163	1 077
Amortization of stock option and bonus share cost	512	829
Other	3	15
Cash flow	(12 594)	(11 536)
Change in operating working capital	6 929	7 713
Net interest income	11	101
Net cash used in operating activities	(5 654)	(3 722)
Cash flow from investing activities	(1 233)	(2 575)
Cash flow from financing activities	(56 591)	1 234
Effect of changes in exchange rates on cash	4	0
Net increase (decrease) in cash and cash equivalents	(63 474)	(5 063)
Cash and cash equivalents at 1st January	64 693	86 701
Cash and cash equivalents at 30th June	1 219	81 638