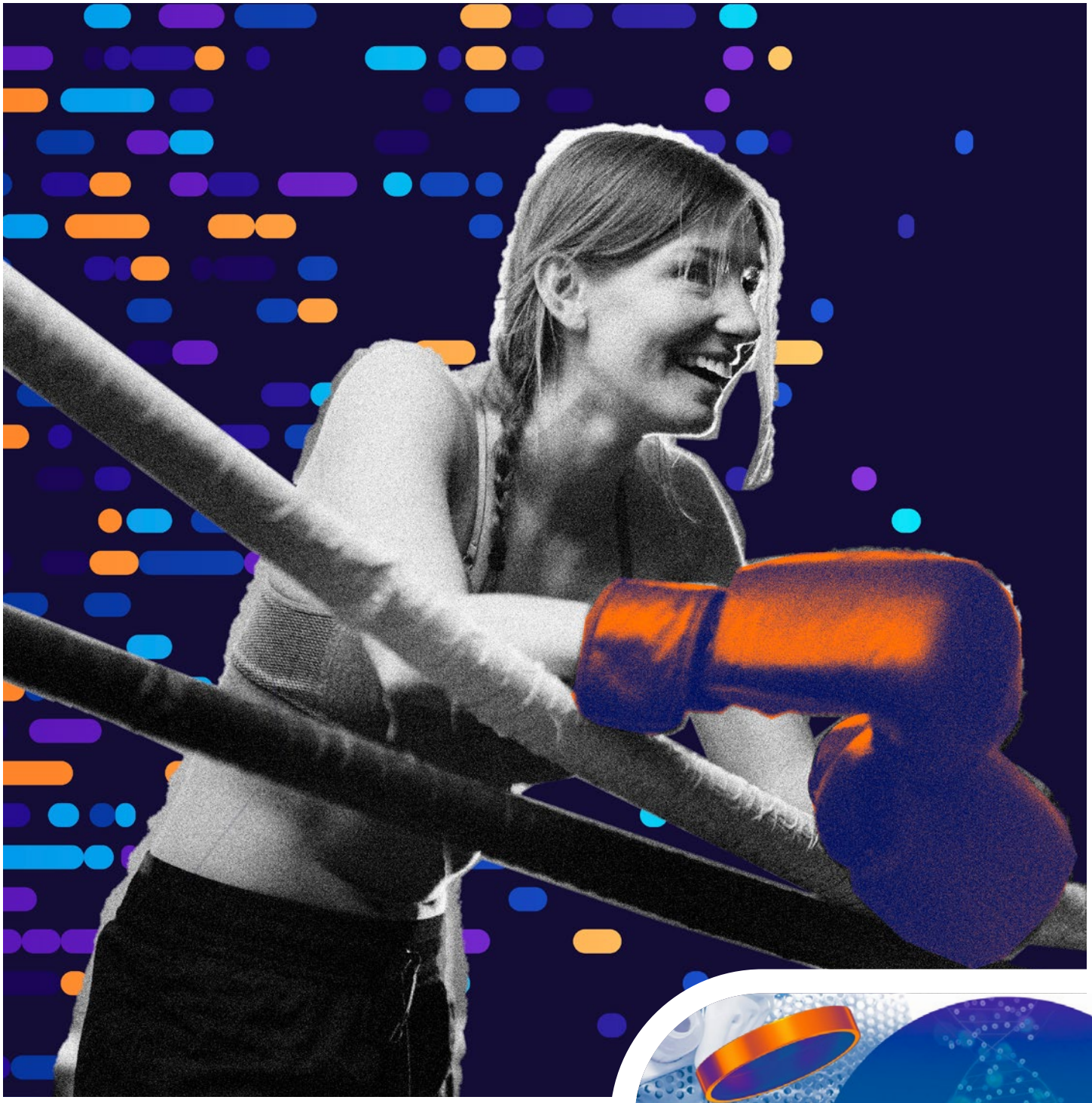

Half-year financial report

2022

transgene

1. 2022 HALF-YEAR FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET, IFRS (in € thousands)

ASSETS	NOTE	JUNE 30, 2022	DEC. 31, 2021
CURRENT ASSETS			
Cash and cash equivalents	2	7,137	5,911
Other current financial assets	2	35,708	43,658
Cash, cash equivalents and other current financial assets	**2**	**42,845**	**49,569**
Trade receivables	3	3,916	10,133
Other current assets	4	2,737	2,543
TOTAL CURRENT ASSETS		49,498	62,245
NON-CURRENT ASSETS			
Property, plant and equipment	5	10,850	11,295
Intangible assets	6	75	92
Non-current financial assets	7	21,357	20,772
Other non-current assets	8	3,941	7,434
TOTAL NON-CURRENT ASSETS		36,223	39,593
TOTAL ASSETS		85,721	101,838

LIABILITIES AND EQUITY	NOTE	JUNE 30, 2022	DEC. 31, 2021
CURRENT LIABILITIES			
Trade payables	22	6,604	7,692
Current financial liabilities	9.1	1,403	1,395
Provisions for risks and expenses	10	41	48
Other current liabilities	11	4,296	5,454
TOTAL CURRENT LIABILITIES		12,344	14,589
NON-CURRENT LIABILITIES			
Non-current financial liabilities	9.2	15,108	15,241
Employee benefits	12	3,334	3,958
Other non-current liabilities	11	531	841
TOTAL NON-CURRENT LIABILITIES		18,973	20,040
TOTAL LIABILITIES		31,317	34,629
EQUITY			
Share capital	13	50,102	48,886
Shares premiums and reserves		70,860	70,374
Retained earnings		(50,628)	(31,092)
Profit/(loss) for the period		(15,279)	(19,536)
Other comprehensive income/(loss)		(651)	(1,423)
TOTAL EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		54,404	67,209
TOTAL LIABILITIES AND EQUITY		85,721	101,838

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

	NOTE	JUNE 30, 2022	JUNE 30, 2021
Revenue from collaborative and licensing agreements	14.1	2,298	1,361
Government financing for research expenditure	14.2	3,674	3,510
Other income	14.3	115	118
OPERATING INCOME		**6,087**	**4,989**
Research and development expenses	15.1	(16,974)	(15,339)
General and administrative expenses	15.2	(3,944)	(3,080)
Other expenses	15.3	(4)	(2)
OPERATING EXPENSES		**(20,922)**	**(18,421)**
OPERATING INCOME/(LOSS)		**(14,835)**	**(13,432)**
Financial income/(loss)	16	(444)	1,632
INCOME/(LOSS) BEFORE TAX		**(15,279)**	**(11,800)**
Income tax expense	17	-	-
NET INCOME/(LOSS)		**(15,279)**	**(11,800)**
Basic earnings per share (€)	13.2	(0.15)	(0.14)
Diluted earnings per share (€)	13.2	(0.15)	(0.14)

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

	JUNE 30, 2022	JUNE 30, 2021
NET INCOME/(LOSS)	**(15,279)**	**(11,800)**
Foreign exchange gains/(losses)	5	4
Revaluation of hedging instruments	29	32
OTHER ELEMENTS OF COMPREHENSIVE INCOME/ (LOSS) SUBSEQUENTLY RESTATED AS INCOME	**34**	**36**
Actuarial gains/(losses) on employee benefit provision	736	-
OTHER ELEMENTS OF COMPREHENSIVE INCOME/ (LOSS) SUBSEQUENTLY NON-RECYCLABLE AS INCOME, NET OF DEFERRED TAXES	**736**	**-**
OTHER COMPREHENSIVE INCOME/(LOSS)	**770**	**36**
NET COMPREHENSIVE INCOME/(LOSS)	**(14,509)**	**(11,764)**
Of which, attributable to parent company	(14,509)	(11,764)
Of which, non-controlling interests	-	-

CASH FLOW STATEMENT, IFRS (in € thousands)

	NOTE	JUNE 30, 2022	JUNE 30, 2021
CASH FLOW FROM OPERATING ACTIVITIES			
Net income/(loss)		(15,279)	(11,800)
Cancellation of financial income/(loss)		444	(1,632)
ELIMINATION OF NON-CASH ITEMS			
Provisions		90	(903)
Depreciation	5,6	841	918
Share-based payments	15	1,810	782
Others		5	2
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL AND OTHER OPERATING CASH FLOW		**(12,089)**	**(12,633)**
CHANGE IN OPERATING WORKING CAPITAL REQUIREMENTS			
Current receivables and prepaid expenses		5,792	(434)
Research tax credit (RTC)	14.2	(3,704)	(3,527)
Other current assets	4	412	(86)
Trade payables		(1,072)	822
Prepaid income	11	(529)	(598)
Other current liabilities	11	(939)	(327)
NET CASH USED IN OPERATING ACTIVITIES		**(12,129)**	**(16,783)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Acquisitions)/disposals of property, plant and equipment	5	(350)	(525)
(Acquisitions)/disposals of intangible assets	6	(10)	(11)
Other (acquisitions)/disposals	7	289	286
NET CASH USED IN INVESTING ACTIVITIES		**(71)**	**(250)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net financial income/(loss) proceeds	16	(561)	(292)
Gross proceeds from the issuance of shares	13	-	34,129
Share issue costs		-	(406)
(Acquisition)/disposal of other financial assets	7	7,950	(15,519)
Net amounts received for financing of tax credits	8	6,675	6,050
Bank borrowing		-	(92)
Financial leases and change in lease obligations	10	(643)	(632)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**13,421**	**23,238**
Exchange rate differences on cash and cash equivalents		5	4
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,226**	**6,209**
Cash and cash equivalents at beginning of period		5,911	5,277
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**7,137**	**11,486**
Investments in other current financial assets		35,708	36,596
CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS		**42,845**	**48,082**

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

	COMMON SHARES		SHARE PREMIUMS	RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME/ (LOSS)	NET INCOME/ (LOSS)	TOTAL ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS
	NUMBER OF SHARES	SHARE CAPITAL						
AS OF DECEMBER 31, 2021	**97,771,334**	**48,886**	**67,441**	**2,933**	**(31,092)**	**(1,423)**	**(19,536)**	**67,209**
Increase of share capital	-	-	-	-	-	-	-	-
Free share awards	2,432,737	1,216	697	(1,913)	-	-	-	-
Share-based payments	-	-	1,810	-	-	-	-	1,810
Liquidity contract	-	-	-	(107)	-	-	-	(107)
Income/(loss) for the previous period	-	-	-	-	(19,536)	-	19,536	-
Income/(loss) for the period	-	-	-	-	-	-	(15,279)	(15,279)
Foreign exchange gains/ (losses)	-	-	-	-	-	5	-	5
Actuarial gains/(losses) on employee benefit provision	-	-	-	-	-	736	-	736
Interest rate swap	-	-	-	-	-	29	-	29
Net comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**770**	**(15,279)**	**(14,509)**
AS OF JUNE 30, 2022	**100,204,071**	**50,102**	**69,948**	**913**	**(50,628)**	**(653)**	**(15,279)**	**(54,403)**

	COMMON SHARES		SHARE PREMIUMS	RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME/ (LOSS)	ALLOCATION OF NET INCOME/ (LOSS)	TOTAL ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS
	NUMBER OF SHARES	Share capital						
AS OF DECEMBER 31, 2020	**83,841,334**	**41,921**	**39,212**	**1,726**	**(13,861)**	**(1,051)**	**(17,231)**	**50,716**
Increase of share capital	13,930,000	6,965	26,377	-	-	-	-	33,342
Free share awards	-	-	(1,150)	1,150	-	-	-	-
Share-based payments	-	-	782	-	-	-	-	782
Liquidity contract	-	-	-	35	-	-	-	35
Income/(loss) for the previous period	-	-	-	-	(17,231)	-	17,231	-
Income/(loss) for the period	-	-	-	-	-	-	(11,800)	(11,800)
Foreign exchange gains/ (losses)	-	-	-	-	-	4	-	4
Interest rate swap	-	-	-	-	-	32	-	32
Net comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**36**	**(11,800)**	**(11,763)**
AS OF JUNE 30, 2021	**97,771,334**	**48,886**	**65,221**	**2,911**	**(31,092)**	**(1,015)**	**(11,800)**	**73,111**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOREWORD

The consolidated financial statements of Transgene (the "Company") at June 30, 2022, were prepared in accordance with the principles and methods defined by IFRS (International Financial Reporting Standard) as adopted by the European Union. The condensed half-year consolidated financial statements were approved by the Board of Directors on September 7, 2022.

The half-year financial information includes:

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

NOTE 1 ACCOUNTING PRINCIPLES

ACCOUNTING STANDARDS

The Company's interim consolidated financial statements for the six months ended June 30, 2022, were prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union. As half-year 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 fiscal year ended December 31, 2021, presented in the Universal Registration Document submitted to the French Financial Markets Authority (Autorité des Marchés Financiers) on April 6, 2022. In certain cases, these rules have been adapted to the specificities of interim financial statements, in accordance with IAS 34.

The accounting principles used for the preparation of the half-year consolidated financial statements comply with IFRS standards and interpretations as adopted by the European Union on June 30, 2022. This standard is available on the European Commission website. The Company has not applied the published accounting principles, interpretations and amendments that are not yet in force.

The new standards, amendments and interpretations adopted by the European Commission and applicable from January 1, 2022, are presented below:

- amendments to IFRS 3 – Business Combinations: References to the Conceptual Framework;
- amendments to IAS 16 – Tangible assets: Recognition of income generated before commissioning;
- amendments to IAS 37 – Provisions, contingent liabilities and contingent assets: Loss-making contracts, notion of costs directly related to the contract;
- 2018–2020 cycle of annual improvements to IFRS IAS 38 – Costs for configuring and adapting software used in SaaS mode

The application of these new standards and interpretations had no significant impact on the Company's financial statements.

Standards, amendments and interpretations not adopted by the European Union as of June 30, 2022, or whose application is not mandatory as of January 1, 2022, are presented below:

- standards adopted by the European Union:
  - amendments to IAS 1 – Presentation of financial statements and Practical application guide 2: Disclosure of accounting policies;
  - amendments to IAS 8 – Accounting policies, changes in estimates and errors;
  - IFRS 17 and amendments – Insurance contracts;

- standards not adopted by the European Union:
  - amendments to IAS 1 – Presentation of financial statements: Classification of current and non-current liabilities,
  - amendments to IAS 12 – Income tax: deferred tax on assets and liabilities arising from the same transaction,
  - amendments to IFRS 17 – Insurance contracts: First-time adoption of IFRS 17 and IFRS 9 – Comparative information.

No significant impact is expected on the application of these new standards.

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Transgene's management made estimates and assumptions in preparing the financial statements in accordance with IFRS, 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 and assumptions.

The principal assumptions and estimates that could impact the Company's financial statements are:

- the valuation of the non-consolidated equity securities without significant influence, Tasly BioPharmaceuticals;
- the valuation of conditional advances under the ADNA program;
- the collaboration agreement signed with AstraZeneca.

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Transgene, Transgene, Inc. and Transgene Biopharmaceutical Technology (Shanghai) Co. Ltd. ("Transgene Shanghai"), wholly owned subsidiaries whose head offices are located in Boston, Massachusetts (United States) and Shanghai (China) respectively.

1.3 PPRESENTATION OF THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement is presented by function: research and development expenses and general and administrative expenses (notes 14 to 16).

1.4 COVID-19

The Covid-19 pandemic had a limited impact on Transgene's activities in 2021 and in the first half of 2022.

If containment and global spread were to continue, the impact of the disease and the containment measures adopted by governments and the civil society could cause dysfunction in the supply and shipping chain on which the Company depends, lack of visibility in the scientific community due to the cancellation of international conferences, disorganization of the clinical sites participating in its clinical trials, delay or inability to produce its drug candidates, or even temporary closure of our establishments. As of today, the Company cannot be assured that it would be possible to implement its clinical trial program under the conditions and within the time frame initially planned, if one or more of these risks should materialize. The occurrence of these risks would also have a downward impact on the Company's anticipated level of expenses, as well as on expected income from collaborations. This financial impact is difficult to quantify precisely at the date of this document.

NOTE 2 CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
Cash	7,129	5,903
Cash equivalents	8	8
CASH AND CASH EQUIVALENTS	**7,137**	**5,911**
OTHER CURRENT FINANCIAL ASSETS	**35,708**	**43,658**
TOTAL CASH AND CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS	**42,845**	**49,569**
Impact of applying the fair value recognized in financial income to the income statement	-	-

Cash equivalents consist of a time deposit account.

Other current financial assets consist of investments made through a cash pool set up by the Institut Mérieux group.

NOTE 3 TRADE RECEIVABLES

IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
Total gross	3,916	10,133
Provisions for impairment	-	-
NET TOTAL TRADE RECEIVABLES	**3,916**	**10,133**

As of June 30, 2022, the main trade receivables concern AstraZeneca receivables for €1,747 thousand. Trade receivables also include receivables from our co-development partners (including their share of costs provisioned by the Company): NEC for €1,679 thousand and BioInvent for €271 thousand as of June 30, 2022.

The decrease in trade receivables is mainly due to the payment in February 2022 of AstraZeneca's receivable of €7,063 thousand, related to the exercise of the license option in December 2021 for an oncolytic virus developed by Transgene.

NOTE 4 OTHER CURRENT ASSETS

IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
Research tax credits, current portion	109	109
State-recoverable VAT and tax receivables	478	758
Accrued credit notes	60	48
Employee benefits expense	27	33
Grant receivable	24	24
Prepaid expenses, current portion	1,844	1,380
Other current receivables	195	191
TOTAL OTHER CURRENT ASSETS	**2,737**	**2,543**

Prepaid expenses, current portion, are mainly related to production and quality control contracts at ABL Europe. Contracts are signed several months prior to manufacturing in order to guarantee the production date. The batches produced are then released by the Responsible Pharmacist some months after their production following quality control. Transfer of property takes place when the batch is released.

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

IN € THOUSANDS	DEC. 31, 2021	Increase	Decrease	JUNE 30, 2022
GROSS CARRYING AMOUNT				
Land	584	-	-	584
Buildings and fixtures	2,511	47	-	2,558
Other rights-of-use:	18,083	-	(205)	17,878
• Land	*1,187*	-	-	*1,187*
• Buildings and fixtures	*14,961*	-	-	*14,961*
• Laboratory equipment	*1,730*	-	-	*1,730*
• Other	*205*	-	*(205)*	-
Laboratory equipment	10,396	98	-	10,494
Office and computer equipment	1,674	26	-	1,700
Assets in progress	102	4	-	106
TOTAL GROSS CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT	**33,350**	**175**	**(205)**	**33,320**
DEPRECIATION				
Buildings and fixtures	(887)	(83)	-	(970)
Other rights-of-use:	(11,712)	(497)	205	(12,004)
• Buildings and fixtures	*(10,463)*	*(330)*	-	*(10,793)*
• Laboratory equipment	*(1,057)*	*(154)*	-	*(1,211)*
• Other	*(192)*	*(13)*	*205*	-
Laboratory equipment	(7,967)	(195)	155	(8,007)
Office and computer equipment	(1,489)	(39)	39	(1,489)
TOTAL DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**(22,055)**	**(814)**	**399**	**(22,470)**
NET BOOK VALUE OF PROPERTY, PLANT AND EQUIPMENT	**11,295**	**(639)**	**194**	**10,850**

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

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Research and development expenses	790	862
General and administrative expenses	24	24
TOTAL DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT	**814**	**886**

NOTE 6 INTANGIBLE ASSETS

IN € THOUSANDS	DEC. 31, 2021	Increase	Decrease	JUNE 30, 2022
GROSS CARRYING AMOUNT				
Intangible assets	3,117	9	-	3,126
Intangible assets in progress	-	-	-	-
TOTAL GROSS CARRYING AMOUNT OF INTANGIBLE ASSETS	**3,117**	**9**	**-**	**3,126**
DEPRECIATION				
Intangible assets	(3,025)	(26)	-	(3,051)
TOTAL DEPRECIATION OF INTANGIBLE ASSETS	**(3,025)**	**(26)**	**-**	**(3,051)**
NET BOOK VALUE OF INTANGIBLE ASSETS	**92**	**(17)**	**-**	**75**

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

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Research and development expenses	13	19
General and administrative expenses	7	6
TOTAL DEPRECIATION EXPENSES FOR INTANGIBLE ASSETS	**20**	**25**

NOTE 7 NON-CURRENT FINANCIAL ASSETS

IN € THOUSANDS	DEC. 31, 2021	Increase	Change in fair value through the income statement	Decrease	JUNE 30, 2022
FAIR VALUE					
Non-consolidated equity securities without significant influence:	**19,145**	**-**	**632**	**-**	**19,777**
■ Tasly BioPharmaceuticals	18,935	-	632	-	19,567
■ Vaxxel SAS	210	-	-	-	210
Other financial assets	**1,627**	**354**	**-**	**(401)**	**1,580**
FAIR VALUE	**20,772**	**354**	**632**	**(401)**	**21,357**

The increase in the value of non-consolidated equity securities without significant influence corresponds to the revaluation of all Tasly BioPharmaceuticals shares according to the yuan exchange rate as of June 30, 2022. The fair value of the Tasly BioPharmaceuticals shares in yuan is unchanged from that at 31 December 2021.

The valuation of these securities is directly impacted by the fluctuation of the euo/yuan parity. A 10% rise in the yuan would increase the value of the securities by 11%. A 10% fall in the yuan would decrease it by 9%.

The value of Vaxxel SAS shares remained unchanged as of June 30, 2022. The Company holds 7% of Vaxxel SAS. The Company could receive earn-outs from Vaxxel SAS of up to €4 million. As of June 30, 2022, the realization of the earn-outs is considered uncertain and distant.

The increase in other financial assets in the first half of 2022 was primarily due to the holdback with respect to the disposal of the 2021 research tax credit in the amount of €351 thousand.

The decrease in other financial assets relates mainly to repayment of the holdback to guarantee the bank financing of the 2018 research tax credit in the amount of €289 thousand.

NOTE 8 OTHER NON-CURRENT ASSETS

IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
RTC, non-current portion	3,704	7,027
Prepaid expenses, non-current portion	148	276
Other non-current assets	89	131
TOTAL OTHER NON-CURRENT ASSETS	**3,941**	**7,434**

■ RESEARCH TAX CREDIT (RTC)

The Company has a receivable of €3,704 thousand for the 2022 RTC.

In June 2022, the Company signed a research tax credit agreement with a credit institution for the assignment of its 2021 RTC. The Company thereby received €6,675 thousand for the 2021 RTC (representing 95% financing) and no longer has a receivable from the French government. This financing contract is classified as deconsolidating, and no debt is recognized for the financing received.

NOTE 9 FINANCIAL LIABILITIES

The following table breaks down financial liabilities by maturity:

IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
Financial liabilities, current portion	1,403	1,395
Financial liabilities, non-current portion	15,108	15,241
TOTAL FINANCIAL LIABILITIES	**16,511**	**16,636**

As of June 30, 2022, the main financial liabilities are related to the property leasing (head office and main research and development laboratories) and conditional advances received by Bpifrance under the ADNA and NEOVIVA subsidized programs.

9.1 ■ FINANCIAL LIABILITIES, CURRENT PORTION

IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
Property leasing liabilities	975	947
Equipment leasing liabilities	314	314
Lease obligation	-	20
Financing of Tax Credit for Competitiveness and Employment (CICE)	114	114
TOTAL FINANCIAL LIABILITIES, CURRENT PORTION	**1,403**	**1,395**

9.2 FINANCIAL LIABILITIES, NON-CURRENT PORTION

IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
Property leasing liabilities	1,603	2,098
Equipment leasing liabilities	195	351
Interest rate swap	22	51
Conditional advances	13,288	12,741
TOTAL FINANCIAL LIABILITIES, NON-CURRENT PORTION	**15,108**	**15,241**

PROPERTY LEASING

In 2008, Transgene invested in a building housing labs and offices on the Illkirch-Graffenstaden site, in the suburbs of Strasbourg. Land and construction costs for the 6,900 sq.m. building totaled €15.6 million. This investment was financed by a 15-year finance lease, signed with a banking consortium in October 2007, with a residual value of €1.1 million. The first rent payment was made on January 1, 2009. The balance of the principal to be repaid as of June 30, 2022, is €2,579 thousand (of which €975 thousand in the short term).

EQUIPMENT LEASING

The Company has acquired various equipment under financial leasing. As of June 30, 2022, Transgene owned two pieces of equipment financed by leases.
The remaining financial commitment on these financial leases was €509 thousand as of June 30, 2022 (of which €314 thousand are due in the short term).

CONDITIONAL ADVANCES

ADNA

At June 30, 2022, conditional advances referred mainly to conditional advances received under the ADNA ("Advanced Diagnostics for New Therapeutic Approaches") program, which receives public financing from Bpifrance to develop the TG4010 and TG4001 products. This program ended on December 31, 2016. Transgene received a total of €15,942 thousand of conditional advances under this program.

As of June 30, 2022, the liability consisting of conditional advances in the Company's balance sheet amounts to €12,152 thousand. At closing, the Company revalues 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 an income threshold on the TG4001 product predetermined for the following five years, and in proportion to the income from these products until a reimbursement ceiling is reached, or up until 2035. The expected future reimbursement flows are therefore estimated on the basis of an evaluation of the future direct and indirect income associated with TG4001 during its development.

Other assumptions taken into account by Management in the valuation of the conditional advances liability include:

- the development and marketing schedule for TG4001;
- 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.

.

As of June 30, 2022, the assumptions used by Management have not changed compared to December 31, 2021, as the clinical development of TG4001 continues with the initiation of the trial amendment in May 2021. The Company considers that the assumptions used at December 31, 2021, remain appropriate.

The change at June 30, 2022, is due to the discounting of future cash flows and the change in the US dollar exchange rate.

At June 30, 2022, the discount rate used was 7.5%.

A sensitivity analysis on:

- the signature schedule linked to a potential partnership shows that a delay of one year in the trigger threshold for the fixed repayment provided for in the contract would have a downward impact of €1.7 million on the value of the ADNA payable. Conversely, a one-year advance in this schedule would have an upward impact on this payable of €1.8 million;
- the financial terms associated with a potential partnership show that a 10% increase in the partnership budget would not impact the value of the payable. A 10% decrease in this budget would decrease the payable by €1.7 million;
- a 1% decrease in the discount rate would increase the payable by €1.3 million and a 1% increase in the discount rate would decrease the payable by €1.1 million.

- **NEOVIVA**

Under the NEOVIVA program, signed in March 2019, Transgene could receive conditional advances of €2.4 million.

As of June 30, 2022, the Company received €1,495 thousand for this program. Based on the Company's financing rate, the fair value of this debt as of June 30, 2022, was estimated at €1,136 thousand.

NOTE 10 PROVISIONS FOR RISKS AND EXPENSES

IN € THOUSANDS	DEC. 31, 2021	PROVISIONS	RETAINED EARNINGS	REVERSALS NOT APPLICABLE	USE OF THE PROVISION	JUNE 30, 2022
Provisions for risks	6	-	-	-	-	6
Provisions for expenses	42	-	-	-	(7)	35
TOTAL PROVISIONS FOR RISKS AND EXPENSES	**48**	**-**	**-**	**-**	**(7)**	**41**

The provision for expenses corresponds to the costs remaining to be incurred for the ongoing clinical trial with TG4010, which was halted at the end of 2019. Of this provision, €7 thousand was used in the first half of 2022.

NOTE 11 OTHER LIABILITIES

OTHER CURRENT LIABILITIES

IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
Tax and social liabilities	3,531	4,472
Prepaid income, of which:	753	972
• Income from collaboration and licensing	708	942
• Research and development grants	-	-
• Other	45	30
Other short-term liabilities	12	10
TOTAL OTHER CURRENT LIABILITIES	**4,296**	**5,454**

The decrease in tax and social security liabilities at June 30, 2022, is mainly due to the definitive allocation of free shares during the first half of 2022 and the payment of employer contributions due to the Company. These contributions are accrued over the life of the plans.

Prepaid income primarily refers to the staggered recognition of the US$10 million payment from the collaboration agreement with AstraZeneca signed in April 2019. As of June 30, 2022, €901 thousand remained (including €379 thousand due in the short term) in deferred revenue related to the payment of the US$10 million. The balance of deferred income in income from services and licenses, for €336 thousand at June 30, 2022, concerns contracts related to services provided by the Company.

OTHER NON-CURRENT LIABILITIES

IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
Prepaid income, of which:	531	841
• Income from collaboration and licensing	529	836
• Research and development grants	-	-
• Other	2	5
Other long-term liabilities	-	-
TOTAL OTHER NON-CURRENT LIABILITIES	**531**	**841**

NOTE 12 EMPLOYEE BENEFITS

PROVISIONS FOR RETIREMENT BENEFIT OBLIGATIONS

In accordance with French law, Transgene participates in the financing 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. The value of the commitments was calculated using the new valuation method recommended by the IFRIC in its April 2021 decision on the allocation of service costs associated with a defined benefit plan.

Transgene is also liable for statutory lump-sum retirement benefit 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:

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IN € THOUSANDS	JUNE 30, 2022	DEC. 31, 2021
Discount rate	2.90%	0.90%
Expected long-term inflation rate	1.90%	1.90%
Rate of future salary increases	3.00%	3.00%
Retirement age: • managers: • non-managers :	 65 years 63 years	 65 years 63 years
TOTAL PROVISIONS FOR RETIREMENT BENEFITS	**3,334**	**3,958**

NOTE 13 EQUITY

13.1 SHARE CAPITAL

At June 30, 2022, the number of outstanding shares of Transgene was 100,204,071, representing share capital of €50,102,035.50.

In the first half of 2022, three definitive allocations of free shares were made, including two in March for 1,211,994 and 563,142 new shares, as well as one in May for 657,601 new shares.

During the first half of 2022, the Board of Directors authorized new allocations of 145,274 free shares in March and 102,000 free shares in May (note 13.4).

13.2 EARNINGS PER SHARE

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

	JUNE 30, 2022	JUNE 30, 2021
BASIC EARNINGS PER SHARE		
Available net profit (in € thousands)	(15,279)	(11,800)
Average number of shares outstanding	98,799,849	84,305,667
BASIC EARNINGS PER SHARE (IN €)	**(0.15)**	**(0.14)**
DILUTED EARNINGS PER SHARE (IN €)	**(0.15)**	**(0.14)**

In the first half of 2021 and 2022, 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).

13.3 STOCK OPTION PLANS

Transgene did not grant any new stock options during the first half of 2022. The number of options outstanding at December 31, 2021, amounted to 41,532, of which 41,532 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 2022, just as in the first half of 2021.

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13.4 FREE SHARE PLANS

In the first half of 2022, 145,274 free shares were granted to employees as well as 102,000 free shares granted to the new Chairman of the Board of Directors. Some of these shares are subject to collective performance conditions for all employees.

At June 30, 2022, 1,880,578 free shares have not yet vested.

The total number of free shares granted and not yet vested was 4,307,606 shares at December 31, 2021.

The cost of services rendered is recognized as an expense over the vesting period. The expense was €1,810 thousand in the first half of 2022, excluding the URSSAF (social security) contribution, compared to €782 thousand in the first half of 2021.

NOTE 14 OPERATING INCOME

14.1 REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Revenue from research and development collaboration	2,298	1,361
License fees and royalties	-	-
TOTAL REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS	**2,298**	**1,361**

Revenues from research and development collaboration amounted to €2,298 thousand in the first half of 2022, compared to €1,361 thousand in the first half of 2021. They came mainly from the collaboration with AstraZeneca.

In April 2019, Transgene 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. This agreement provides for additional income as and when preclinical milestones are met. 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.

The assumptions used by Management in the measurement of income related to the initial payment primarily concern:

- the number of candidates to be developed;
- the candidate development schedule;
- the estimated costs of the salaries and consumables related to the development of the candidates.

Over the period, the revenue recognized under this collaboration agreement was €2,268 thousand. Of this amount €416 thousand reflects recognition of the initial payment for work completed during the period. The €1,237 thousand balance not recognized at this time was recorded in Prepaid income at June 30, 2022 (note 11). The Company also recognized €1,855 thousand in revenue over the period from the supply of candidates, the production of batches and the performance of R&D services.

14.2 GOVERNMENT FUNDING FOR RESEARCH EXPENDITURE

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Research subsidies	-	14
Research tax credit, net	3,674	3,496
TOTAL GOVERNMENT FUNDING FOR RESEARCH EXPENDITURE	**3,674**	**3,510**

The gross research tax credit, excluding advisory fees, for the first half of 2022 was €3,704 thousand.

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14.3 OTHER INCOME

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Other income	115	118
TOTAL OTHER INCOME	**115**	**118**

NOTE 15 OPERATING EXPENSES

15.1 RESEARCH AND DEVELOPMENT EXPENSES

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Payroll costs	6,027	6,297
Share-based payments	998	521
Intellectual property expenses and licensing costs	486	284
External expenses for clinical projects	3,544	2,475
External expenses for other projects	2,363	2,312
Operating expenses	2,753	2,569
Depreciation and provisions	803	881
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	**16,974**	**15,339**

Payroll costs in the first half of 2022 amounted to €6,027 thousand, compared to €6,297 thousand for the same period in 2021. The cost of share-based payments amounted to €998 thousand at June 30, 2022, compared with €521 thousand at June 30, 2021, notably following the granting of a new free share plan at the end of the first half of 2021. External expenses on clinical projects increased to €3,544 thousand in the first half of 2022, compared to €2,475 thousand over the same period in 2021. This increase is mainly linked to the increase in expenses related to clinical trials TG4001 and TG4050 in the first half of 2022.

External expenses on other projects amounted to €2,363 thousand in the first half of 2022, compared to €2,312 thousand in the first half of 2021.

Operating expenses amounted to €2,753 thousand in the first half of 2022, compared to €2,569 in the first half of 2021, an increase due to the acceleration of the internal production of clinical batches.

15.2 GENERAL AND ADMINISTRATIVE EXPENSES

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Payroll costs	1,730	1,545
Share-based payments	812	261
Fees and administrative expenses	916	885
Other general and administrative expenses	455	359
Depreciation and provisions	31	30
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**3,944**	**3,080**

Payroll costs in the first half of 2022 amounted to €1,730 thousand, compared to €1,545 thousand for the same period in 2021. The cost of share-based payments amounted to €812 thousand at June 30, 2022, compared with €261 thousand at June 30, 2021, notably following the granting of a new free share plan at the end of the first half of 2021.

15.3 OTHER EXPENSES

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Net carrying value of disposals of fixed assets	4	2
Other expenses	-	-
TOTAL OTHER EXPENSES	**4**	**2**

NOTE 16 FINANCIAL INCOME/(LOSS)

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Investment income	51	19
Cost of debt	(718)	(314)
COST OF DEBT NET OF INVESTMENT INCOME	**(667)**	**(295)**
Other financial income/(expenses)	25	1,858
Foreign exchange gains/(losses)	198	69
OTHER FINANCIAL INCOME/(EXPENSES)	**223**	**1,927**
TOTAL FINANCIAL INCOME/(LOSS)	**(444)**	**1,632**

COST OF DEBT

The cost of debt corresponds to bank interest related to the sale of the 2021 Research Tax Credit (RTC) receivable for €686 thousand, compared to €225 thousand in the first half of 2021 for the sale of the 2020 RTC receivable.

OTHER FINANCIAL INCOME/(EXPENSES)

The upward change in the fair value of financial assets is mainly due to the revaluation of the equity securities of Tasly BioPharmaceuticals for €632 thousand, the difference between the fair value at June 30, 2022, and that at December 31, 2021, following the application of the yuan exchange rate at June 30, 2022.

Over the same period in 2021, the increase in the fair value of financial assets was mainly related to the revaluation of the Tasly BioPharmaceuticals equity securities for €2,430 thousand, following the disposal of a portion of shares held in July 2021.

The discounting of the ADNA debt generated a financial expense of €507 thousand in the first half of 2022, compared to €488 thousand in the first half of 2021.

NOTE 17 INCOME TAX EXPENSES

17.1 CURRENT TAXES

Since the Company is in a tax loss position, its current income tax expense is zero. The United States and Chinese subsidiaries did not recognize any current tax income or expense in 2021 and 2022.

17.2 DEFERRED TAXES

No net deferred tax assets were recognized as of June 30, 2022, as deferred tax assets are not recognized due to the uncertainty of taxable income in the next three years.

NOTE 18 PERSONNEL

18.1 WORKFORCE

The Company had 165 employees at June 30, 2022.

AT JUNE 30, 2022	MEN	WOMEN	TOTAL
Managers	48	71	119
Non-managers	15	31	46
TOTAL WORKFORCE	**63**	**102**	**165***

**Including 143 permanent contracts at June 30, 2022*

The Company had 167 employees as of December 31, 2021.

18.2 PAYROLL COSTS

Payroll costs included in the Company's income statement (payroll, taxes, pension costs, ancillary costs) were distributed as follows:

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Research and development expenses	6,027	6,297
General and administrative expenses	1,730	1,545
TOTAL PAYROLL COSTS	**7,757**	**7,842**

Expenses relating to share-based payments amounted to:

IN € THOUSANDS	JUNE 30, 2022	JUNE 30, 2021
Research and development expenses	998	521
General and administrative expenses	812	261
TOTAL SHARE-BASED PAYMENTS	**1,810**	**782**

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 €35,708 thousand at June 30, 2022. Interest income at June 30, 2022, was €50 thousand.

The table below does not include these cash items.

JUNE 30, 2022 - IN € THOUSANDS	RECEIVABLES	PAYABLES
ABL Europe SAS	-	383
bioMérieux, Inc.	-	48
bioMérieux SA	-	-
Institut Mérieux	-	-
Mérieux Université	-	-
TOTAL AFFILIATED COMPANIES	**-**	**431**

JUNE 30, 2022 - IN € THOUSANDS	REVENUE	EXPENSES
ABL Europe SAS [1]	-	993
bioMérieux, Inc. [2]	-	251
bioMérieux SA	-	1
Institut Mérieux [3]	2	133
Mérieux Université	-	-
TOTAL AFFILIATED COMPANIES	**2**	**1,378**

■ *(1) Expenses related to the agreements for production services provided by ABL Europe to Transgene* ■ *(2) Expenses related to the agreement for services and re-invoicing of staff, signed between Transgene, Inc. and bioMérieux, Inc.* ■ *(3) Expenses related to the agreement for services provided by Institut Mérieux.*

NOTE 20 OFF-BALANCE SHEET COMMITMENTS

As part of the agreements with Tasly BioPharmaceuticals in July 2018, Transgene had received 27.4 million shares in this company, i.e., 2.53% of its capital. At the time of the transaction, the assets contributed by Transgene were valued by the parties at US$48 million, and the unit price of the shares received was that negotiated by the institutional funds during a capital increase. On this occasion, Transgene, the institutional funds, Tasly BioPharmaceuticals and its parent company Tasly Holding Group had signed a shareholders' agreement to frame their relations. In addition to the usual provisions such as a right of first refusal in the event of assignment by a shareholder, Tasly Holding Group undertook to buy the shares subscribed by Transgene in the event the IPO does not take place within a predefined period, at the initial subscription price plus an annual contractual rate. In July 2020, the Company had sold 10.3 million Tasly BioPharmaceuticals shares. Following this transaction, Transgene held 17.1 million shares of Tasly BioPharmaceuticals, representing 1.58% of its share capital, valued at approximately US$36.9 million. In September 2021, the Company sold 49% of its remaining shares (representing 8.4 million shares). Following this sale, the Company now holds 8.7 million Tasly BioPharmaceuticals shares. As a result of this transaction in particular, the shareholder agreement was amended in December 2021. This agreement states that, in the absence of an IPO on the Shanghai Stock Exchange by September 30, 2022, Transgene may trigger Tasly Holding Group's commitment to buyout Transgene's shareholding.

The Company has signed a research tax credit sale agreement with a credit institution for each of its 2019, 2020 and 2021 Research Tax Credits (RTC) and no longer has any receivables from the French State. The Company therefore received, respectively, €6,288 thousand, €6,034 thousand and €6,675 thousand for the 2019, 2020 and 2021 Research Tax Credit (RTC) (representing 95% financing). As this type of contract is deconsolidating, no liability is recognized in respect of this financing received. However, the Company remains responsible for the amounts declared in the event of a tax audit.

Transgene is also bound by contracts with subcontractors. That could have an impact over several accounting periods. As of June 30, 2022, the Company estimated the current value of its financial commitments under these agreements to be approximately €20 million. These commitments equal in amount the cash still to be spent on contracts signed to date.

Under licensing or option agreements, third parties have promised to make milestone payments or pay royalties to the Company that are dependent upon future events whose probability remains uncertain as of the reporting date. The Company has promised, with respect to a number of third parties, to pay royalties or milestone payments under collaboration or licensing agreements that are dependent upon future events whose realization remains uncertain as of the reporting date.

NOTE 21 SEGMENT INFORMATION

The Company conducts its business exclusively in the clinical research and development of immunotherapeutic products, none of which is currently on the market. The majority of its operations is 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, 2022 ASSETS (IN € THOUSANDS)	NET AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR
Financial assets	1,580	17	1,563
Trade receivables	3,916	3,916	-
Research tax credit and tax credit for competitiveness and employment	3,813	109	3,704
Government, VAT and other local authorities	478	478	-
Personnel and related accounts	27	27	-
Prepaid expenses	1,992	1,844	148
Grant receivable	24	24	-
Other receivables	344	255	89
TOTAL ASSETS BY MATURITY	**12,174**	**6,670**	**5,504**

JUNE 30, 2022 LIABILITIES (IN € THOUSANDS)	NET AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR AND LESS THAN OR EQUAL TO FIVE YEARS	MORE THAN FIVE YEARS
Trade payables	6,604	6,604	-	-
Property leasing liabilities	2,578	975	1,603	-
Equipment leasing liabilities	509	314	195	-
Conditional advances	13,288	-	1,136	12,152
Financing of CICE	114	114	-	-
Provisions for risks and expenses	41	41	-	-
Provisions for retirement	3,334	141	869	2,324
Accrued employee benefits and tax expense	3,531	3,531	-	-
Prepaid income	1,284	753	531	-
Other liabilities	34	12	22	-
TOTAL LIABILITIES BY MATURITY	**31,317**	**12,485**	**4,356**	**14,476**

NOTE 23 HEDGING OPERATIONS

Since the first half of 2009, the Company has partially hedged the interest rate risk related to the finance leasing of its administrative and research building located in Strasbourg-Illkirch (note 10).

At June 30, 2022, the market value of the hedging instrument was an unrealized loss of €22 thousand.

NOTE 24 FINANCIAL INSTRUMENTS

JUNE 30, 2022 IN € THOUSANDS	ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE ASSETS	RECEIVABLES, PAYABLES, BORROWINGS, AT AMORTIZED COST	DERIVATIVE INSTRUMENTS	CARRYING AMOUNT	FAIR VALUE	LEVEL
FINANCIAL ASSETS							
Cash and cash equivalents	7,137	-	-	-	7,137	7,137	1
Other current financial assets	35,708	-	-	-	35,708	35,708	2
Trade receivables	-	-	3,916	-	3,916	3,916	-
Financial assets	19,777	-	1,580	-	21,357	21,357	3
Other non-current assets	-	-	89	-	89	89	3
TOTAL FINANCIAL ASSETS	**62,622**	**-**	**5,585**	**-**	**68,207**	**68,207**	**-**
FINANCIAL LIABILITIES							
Lease liabilities, long-term portion	-	-	1,798	-	1,798	1,798	2
Conditional advances	-	-	13,288	-	13,288	13,288	3
Other non-current financial liabilities	-	-	-	22	22	22	2
NON-CURRENT FINANCIAL LIABILITIES	**-**	**-**	**15,086**	**22**	**15,108**	**15,108**	**-**
Lease liabilities, current portion	-	-	1,289	-	1,289	1,289	2
CURRENT FINANCIAL LIABILITIES	**-**	**-**	**1,289**	**-**	**1,289**	**1,289**	**-**
TRADE PAYABLES	**-**	**-**	**6,604**	**-**	**6,604**	**6,604**	**-**
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**22,979**	**22**	**23,001**	**23,001**	**-**

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

N/A

2. HALF-YEAR MANAGEMENT REPORT

2.1 ■ KEY EVENTS OF THE FIRST HALF OF 2022

TG4001 – RESULT OF THE PHASE II INTERIM ANALYSIS TO BE RELEASED IN Q4 2022

Just over 50 patients have been enrolled in the randomized Phase II trial evaluating the combination of TG4001 and avelumab in HPV-induced anogenital cancers. Transgene expects to report the results of the interim analysis in Q4 2022.

The objective of this trial is to demonstrate the superiority of the combination of TG4001 + avelumab versus avelumab as a single agent to improve progression-free survival (primary endpoint of the trial) and, in the longer term, in terms of overall patient survival.

Transgene will specify, based on the results of the interim analysis, the total number of patients that must be included in the trial to confirm the efficacy of the therapy and achieve statistically significant progression-free survival improvement. Indeed, the design of the trial allows for the total number of patients to be adjusted according to the results obtained in the interim analysis and based on the recommendations of the IDMC (independent data monitoring committee).

TG4050 - PATIENTS TREATED WITH OUR NEOANTIGEN VACCINE SHOW A ROBUST, VACCINE SPECIFIC IMMUNE RESPONSE

Transgene presented new positive preliminary data from TG4050, its proprietary cancer vaccine based on the *myvac*® platform, at the AACR (April 2022) and ASCO (June 2022) meetings. These data show good safety and robust immunogenicity. The induction of immune responses is particularly efficient (100% of patients evaluated at the data cut-off date showed a specific cellular response) and is associated with disease regression.

Transgene has also produced data on circulating tumor DNA (ctDNA); signals of this increasingly validated surrogate marker of efficacy are particularly encouraging. Combined with the first signs of clinical activity, these results suggest that the individualized TG4050 vaccine has the potential to extend the period of remission, potentially offering a new treatment option for cancer patients.

Additional data from the two ongoing Phase I trials (ovarian cancer and head and neck cancers) are expected in the second half of 2022. The information generated will be key to designing the Phase II trial of TG4050, which could start as early as 2023.

In addition, Transgene has completed patient inclusion in the two Phase I trials. These patients are now being monitored until they become eligible for treatment per study protocol.

An article on Transgene's personalized vaccine technology was published in the Journal for ImmunoTherapy of Cancer (doi: 10.1136/jitc-2021-003821). The publication demonstrated that Transgene successfully developed a patient specific vaccine within a few weeks for a study case patient with a low tumor mutational burden.

TG6002 – PHASE I TRIALS COMPLETED – CONFIRMS THE STRONG POTENTIAL OF IV ADMINISTRATION OF THE INVIR.IO™ ONCOLYTIC VIRUSES

Patient enrollment has been completed in the Phase I trial evaluating the intravenous (IV) route of administration: 51 patients received TG6002 at different doses and with different schedules.

This route of administration has considerable therapeutic and market potential as it allows targeting many types of internal lesions and metastases inaccessible by intratumoral injection (injection of the oncolytic virus directly into the tumor) which is currently the only approved route of administration for an oncolytic virus.

New data from this trial will be presented in a poster at the ESMO Congress on September 11, 2022 at 12:00 pm CET. They confirm the safety and feasibility of the IV route for TG6002 and support the potential of IV administration of Invir.IO™-based oncolytic viruses, extending the use of these therapies to a broad range of solid tumors.

In the Phase I trial evaluating the intrahepatic artery route of administration (IHA), enrollment has been completed. Data are currently being analyzed and will be presented at a conference in the first half of 2023.

BT-001 – GOOD SAFETY AND FIRST SIGNS OF ANTITUMOR ACTIVITY AS A MONOTHERAPY

Transgene and BioInvent provided an update on the progress of the clinical trial of BT-001, an oncolytic Vaccinia virus encoding an anti-CTLA-4 antibody and GM-CSF, in June 2022. Initial data from Part A of the Phase I trial demonstrated that BT-001 as a single-agent is well tolerated, with first signs of anti-tumor activity observed in a hard-to-treat patient population. The mechanism of action for BT-001, as a single agent, was also confirmed: the virus replicates in the tumor and the anti-CTLA-4 antibody is expressed in the tumor.

A clinical collaboration and supply agreement for KEYTRUDA® (pembrolizumab) was signed with MSD (Merck & Co) at the end of June 2022. The Phase Ib part of the clinical trial (combination with pembrolizumab) is expected to start in the second half of 2022.

Promising preclinical data with BT-001 were presented at AACR 2022 and published in the Journal for ImmunoTherapy of Cancer (doi: 10.1136/jitc-2021-003488). demonstrating the broad and robust antitumor activity of this Invir.IO™ oncolytic virus.

CHANGE IN GOVERNANCE AND APPOINTMENT WITHIN THE EXECUTIVE COMMITTEE

Transgene reinforced its corporate governance by separating the roles of Chairman and CEO. Dr. Alessandro Riva, MD, became Non-Executive Chairman of the Company (May 25, 2022). With 30 years' experience in the Life Sciences industry, Dr. Riva is closely working with Transgene's CEO Hedi Ben Brahim to realize the potential of the Company's technology platforms and products to benefit cancer patients.

Prof. Jean Yves Blay, MD, PhD, and Laurence Espinasse were appointed as members of the board of directors.

Steven Bloom joined Transgene as Vice President, Chief Business Officer (CBO). In this position, he has become a member of the executive committee, leading global business development strategy, alliance management and program management. In particular, he is focused on building the profile of Transgene in the USA, where he is based, as part of establishing the Company as a world leader in virus-based immunotherapies.

2.2 FINANCIAL INCOME/(LOSS)

OPERATING INCOME

The table below breaks down operating income for the first half of 2022 compared to the first half of 2021:

IN € MILLIONS	JUNE 30, 2022	JUNE 30, 2021
Revenue from collaborative and licensing agreements	2.3	1.4
Government financing for research expenditure	3.7	3.5
Other income	0.1	0.1
OPERATING INCOME	**6.1**	**5.0**

Revenues from research and development collaboration amounted to €2.3 million in the first half of 2022, compared to €1.4 million in the first half of 2021. They came mainly from the collaboration with AstraZeneca.
In April 2019, the Company entered into a collaboration agreement with that company 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. This agreement provides for additional income as and when preclinical milestones are met. 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, €2.3 million of income was recognized under this collaboration agreement. Of this amount, €0.4 million reflects recognition of the initial payment for work completed during the period. The Company also recognized €1.9 million in income over the period in respect of the supply of candidates, the production of batches and the performance of R&D services.

In the first half of 2022, government financing for research expenditure mainly consisted of the research tax credit. It amounted to €3.7 million for the first half of 2022, compared to €3.5 million for the same period in 2021. The research tax credit for the first half of 2022 was calculated on the eligible expenses as of June 30, 2022.

Other income amounted to €0.1 million in the first half of 2022, as in the first half of 2021.

OPERATING EXPENSES

Research and development (R&D) expenses amounted to €17.0 million in the first half of 2022 compared to €15.3 million for the same period in 2021.
The following table details R&D expenses by type:

IN € MILLIONS	JUNE 30, 2022	JUNE 30, 2021
Payroll costs	6.0	6.3
Share-based payments	1.0	0.5
Intellectual property expenses and licensing costs	0.5	0.3
External expenses for clinical projects	3.5	2.5
External expenses for other projects	2.4	2.3
Operating expenses	2.8	2.5
Depreciation and provisions	0.8	0.9
RESEARCH AND DEVELOPMENT EXPENSES	**17.0**	**15.3**

Payroll costs allocated to R&D (salaries, charges and related expenses) amounted to €6.0 million in the first half of 2022, compared to €6.3 million in the first half of 2021.

The expense of share-based payments amounted to €1.0 million in the first half of 2022 compared to €0.5 million in the first half of 2021, notably following the grant of a new free share plan at the end of the first half of 2021 and for which the expense is more significant in the first half of 2022.

Intellectual property and licensing expenses amounted to €0.5 million in the first half of 2022, compared to €0.3 million in the first half of 2021.

External expenses for clinical projects amounted to €3.5 million in the first half of 2022, compared to €2.5 million for the same period in 2021. This increase is mainly linked to the increase in expenses related to clinical trials TG4001 and TG4050 in the first half of 2022.

External expenses on other projects amounted to €2.4 million in the first half of 2022, compared to €2.3 million in the first half of 2021.

Operating expenses, including the cost of operating research and production laboratories, amounted to €2.8 million in the first half of 2022, compared with €2.5 million for the same period in 2021, an increase due to the accelerated internal production of clinical batches.

General and administrative expenses fell to €3.9 million in the first half of 2022 compared to €3.1 million for the same period in 2021.

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

IN € MILLIONS	JUNE 30, 2022	JUNE 30, 2021
Payroll costs	1.7	1.5
Share-based payments	0.8	0.3
Fees and administrative expenses	0.9	0.9
Other general and administrative expenses	0.5	0.4
Depreciation and provisions	-	-
GENERAL AND ADMINISTRATIVE EXPENSES	**3.9**	**3.1**

Payroll costs represented €1.7 million in the first half of 2022, compared to €1.5 million over the same period in 2021.

The cost of share-based payments amounted to €0.8 million in the first half of 2022 compared to €0.3 million in the first half of 2021, notably following the grant of a new free share plan to the end of the first half of 2021 and for which the expense is more significant in the first half of 2022.

Management fees and expenses amounted to €0.9 million in the first half of 2022 as in the first half of 2021.

■ FINANCIAL INCOME/(LOSS)

Net financial income/(loss) amounted to a loss of €0.4 million in the first half of 2022 compared to a gain of €1.6 million for the same period in 2021.

The upward change in the fair value of financial assets is mainly due to the revaluation of Tasly BioPharmaceuticals equity securities for €0.6 million based on the yuan exchange rate on June 30, 2022.

Over the same period in 2021, the increase in the fair value of financial assets was mainly related to the revaluation of the Tasly BioPharmaceuticals equity securities for €2.4 million, following the disposal of a portion of shares held in September 2021.

The discounting of the ADNA debt generated a financial expense of €0.5 million in the first half of 2022, compared to €0.5 million in the first half of 2021.

The cost of debt mainly corresponds to bank interest related to the disposal of the 2021 RTC receivable for €0.7 million, compared to €0.2 million in the first half of 2021.

NET INCOME/(LOSS)

The overall net loss amounted to €15.3 million in the first half of 2022 compared to a loss of €11.8 million for the same period in 2021.

The net loss per share was €0.15 for the first half of 2022, compared to €0.14 for the same period in 2021.

INVESTMENTS

Investments in tangible and intangible assets (net of disposals) amounted to €0.5 million in the first half of 2022, as in the first half of 2021.

CONDITIONAL ADVANCES AND LOANS

Since 2019, Transgene has acted as lead company in a new research program, NEOVIVA, supported by Bpifrance. The Company could receive up to €2.6 million (€0.2 million in research and development grants, €2.4 million in conditional advances) over five years. Transgene received €1.5 million in conditional advances under this program as at June 30, 2022.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2022, Transgene had €42.8 million in cash and other current financial assets, compared to €49.6 million at December 31, 2021.

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.

CASH BURN

Transgene's cash burn amounted to €6.8 million in the first half of 2022, compared with €11.9 million for the same period in 2021.

Transgene confirms that it has financial visibility until the end of 2023.

2.3 MAIN RELATED-PARTY TRANSACTIONS

This information is disclosed in note 19 of the 2022 half-year financial statements published herein.

2.4 SIGNIFICANT EVENTS

See 1.4

2.5 EVENTS AFTER THE REPORTING PERIOD

N/A

3.

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

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For the period from January 1 to June 30, 2022

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

To the Shareholders,

In compliance with the assignment entrusted to us by your general assembly 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 30,2022,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information

2. SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Strasbourg and Lyon, on September 7, 2022
French original signed by,

KPMG S.A.
Stéphane Devin
Partner

Grant Thornton
Jean Morier
Partner

4.

DECLARATION BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL STATEMENT

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.

Hedi Ben Brahim
Président-Directeur général