Transgene Reports Full Year 2010 Results

- **Increase in clinical trial expenses**
- **Cash flow in line with guidance and cash of €180.3 million at end 2010**
- **Promising prospects for portfolio of product candidates**

Parc d'Innovation, Illkirch, France, March 16, 2011 – Transgene (Euronext Paris: FR0005175080) announces today its annual financial results for 2010, updates the market on its strategy and its portfolio of product candidates. The consolidated 2010 financial statements were approved by the Board of Directors on March 11, 2011, and will be submitted for approval by the shareholders of the Company during its next annual general meeting, on June 17, 2011. The audit procedures have been performed and the auditors' report will be issued upon review of the annual report.

Financial Statements for 2010 (enclosed):

Key highlights of the 2010 annual financial statements are as follows:

- Around 20% increase in revenue to 14.1 million euros in 2010, from 11.8 million euros in 2009, due principally to the initial payment under the Novartis option agreement, as well as the increase in research tax credit,
- Increase by approximately 30% in research and development expenses to 42.5 million euros in 2010 (from 33.0 million euros in 2009), due principally to the increase in clinical trials expenses,
- A net loss of 34.2 million euros in 2010, compared with 27.3 million euros in 2009, due principally to growth in research and development expenses, and
- Excluding the June 2010 capital increase (gross proceeds of 152.0 million euros) as well as the equity investment in Jennerex, Inc., a net cash consumption of 28.8 million euros, compared with 22.0 million euros en 2009.

As of December 31, 2010, the Company had 180.3 million euros in cash, cash equivalents and other financial assets. Transgene expects a cash consumption of approximately 40 million euros in 2011. The increase from 2010 is principally due to the growth in expenses in relation to clinical trials for the TG4010, JX594/TG6006 and TG4040 product candidates.

…/…

Key Events since January 2010:

The year 2010 as well as the beginning of 2011 have been rich in news-flow for Transgene, in particular with the signing of the option agreement with Novartis in March 2010; a 152.0 million euros capital increase (gross proceeds) in June; the in-licensing agreement with Jennerex, Inc. involving Transgene's acquisition of the European rights (including Eastern Europe and the Middle East) for the oncolytic virus product candidate, JX594/TG6006, in September 2010, and the termination by Roche of the 2007 license agreement for TG4001, with a full grant back of rights to the Company in February of this year.

Update on the Portfolio of Product Candidates:

Concerning the product candidate TG4010, our interactions with the Food and Drug Administration ("FDA") are progressing well, although with some delay versus our original plan as a consequence of the association of the development of companion diagnostic tests with the TG4010 product candidate. Following a Type A meeting recently held with the FDA, Transgene has obtained all the required feedback for the clinical development of TG4010 in non–small cell lung cancer ("NSCLC") and has decided to proceed, without further delay, with the necessary filings to the medical agencies without submitting a Special Protocol Assessment ("SPA") for the time being. The objective is to enroll the first patient in the phase IIb/III trial (1,200 patients including 200 patients in the phase IIb part) by the end of 2011.

The development of the product candidate JX594/TG6006 is progressing according to plan. The recruitment of the first patient for the phase IIb clinical study (120 patients) in the second line treatment of advanced Hepatocarcinoma (liver cancer) is expected for mid-2011. A phase I/II clinical study in metastatic colorectal cancer is expected to begin in the second half of 2011.

Recruitment for the phase IIb trial of TG4001, which is conducted by Roche, in patients with high grade cervical dysplasia (CIN2/3) is now complete (206 patients treated in the study). Interim efficacy data should be known at the end of 2011 or in early 2012.

The recruitment of patients with chronic hepatitis C in the phase II trial of TG4040 is also complete (objective: 140 patients in the study). Interim efficacy data should be known by the end of 2011.

"With two key partnerships and a successful capital increase, Transgene has affirmed its strategy of becoming an integrated bio-pharmaceutical company. The termination by Roche of our licensing agreement does not lessen the chances of success of this product. Roche's decision allows us to regain the full rights and potential value of TG4001", stated Philippe Archinard, Chairman and CEO of Transgene. He added: *"Our solid balance sheet now offers us the opportunity to develop a large portfolio of promising product candidates. We expect 2011 to be a year rich in news-flow and we are moving forward with confidence."*

DISCUSSIONS ON FINANCIALS FOR 2010

Revenue:

The following table summarizes the change in revenue in the fourth quarter of 2010 as well as in the full year, in comparison with the same periods in 2009:

	Q4		Year	
In million euros	**2010**	**2009**	**2010**	**2009**
Revenue from collaborative and licensing agreements	1.0	2.0	5.6	5.6
Government financing for research expenditures	2.0	1.5	8.5	6.2
Revenue	**3.0**	**3.5**	**14.1**	**11.8**

During 2010, revenue was composed principally of:

- Fees for manufacturing product batches for third parties (such as for Roche, in connection with TG4001), amounting to 1.7 million euros in 2010, compared with 4.9 million euros in 2009,
- Milestone or upfront payments on products partnered-out (such as the option payment from Novartis in connection with TG4010), amounting to 3.2 million euros in 2010 (not significant in 2009), and
- Royalties on sales of technologies or products out-licensed by Transgene, amounting to 0.7 million euros in 2010, compared with 0.6 million euros in 2009.

The 10.0 million US dollars (7.4 million euros) received from Novartis in March 2010 for the payment of the exclusive option for license of TG4010, was spread over the expected duration period of the option. This period runs from the date of signature up to December 31, 2012 and was adjusted in December 2010 to take into account the new timeline for the development of the product. Revenue recognized on this option amounted to 2.7 million euros in 2010. The balance will be recognized as revenue in 2011 and 2012.

For the year ending December 31, 2010, government financing for research expenditures are composed of subsidies received or accrued and research tax credit for the year 2010.

Subsidies amounted to 0.9 million euros in 2010, compared with 1.4 million euros in 2009. In 2010, subsidies were related principally to the ADNA program (a program to develop biomarkers for new therapeutics), funded by the French innovation agency OSEO. Transgene expects to cash in another 2.4 million euros in subsidies in relation to this program in the future (3.8 million euros in revenue; part of this amount was already cashed-in).

The research tax credit amounted to 7.8 million euros in 2010, compared with 4.8 million euros in 2009. Net eligible expenses increased to 26.2 million euros in 2010 from 10.3 million euros in 2009, in line with the increase in research and development (“R&D”) expenses.

Operating expenses:

R&D expenses amounted to 42.5 million euros in 2010, compared with 33.0 million euros in 2009. This increase was due principally to the increase in expenses relating to clinical trials, as well as increased R&D payroll and operational expenses.

The main R&D line items were:

- Staff costs, including payroll and other staff related expenses, amounting to 19.3 million euros in 2010, compared with 17.2 million euros in 2009,
- Expenses related to operating the research and production facilities, and other on-going expenses such as the cost of the finance lease, laboratory materials and intellectual property expenses, amounting to 12.5 million euros in 2010, compared with 10.5 million euros in 2009,
- External expenses in relation to clinical trials, amounting to 6.6 million euros in 2010, compared with 1,4 million euros in 2009, and
- Other external expenses, including expenses on research and pre-clinical programs as well as expenses on industrial projects, amounting to 4.2 million euros in 2010, compared with 3.9 million euros in 2009.

General and administrative expenses amounted to 6.3 million euros in 2010, compared with 6.1 million euros in 2009. Principal expenses were staff costs (3.7 million euros in 2010 vs. 3.5 million euros in 2009) as well as consulting and management fees (1.9 million euros in 2010, unchanged from 2009).

Other expenses and income, net:

Other income, net amounted to 0.1 million in 2010, unchanged from 2009.

Interest income and (expenses), net:

Interest income, net of interest expenses, amounted to 0.4 million euros in 2010, compared with zero in 2009. Interest income on investments amounted to 1.0 million euros for 2010. The interest expenses were principally related to the interest on lease financing of the main premises of Transgene, which amounted to 0.2 million euros in 2010, compared with 0.4 million euros in 2009.

Net loss:

Net loss amounted to 34.2 million euros in 2010, compared with 27.3 million euros in 2009. Net loss per share amounted to 1.24 euros in 2010, unchanged from 2009.

Investments:

In 2010 and 2009, investment in tangible and intangible assets amounted respectively to 3.7 and 4.3 million euros. In 2010, Transgene also invested 5.0 million US dollars (3.8 million euros) in the equity capital of its strategic partner Jennerex, Inc.

Borrowings and conditional subsidies:

In 2010, Transgene received 0.7 million euros in conditional subsidies from OSEO in relation to the ADNA program (see above). The Company expects to receive another 12.5 million euros in conditional subsidies in the future for this program.

Cash, cash equivalents and other financial assets:

Cash is invested primarily in short term mutual funds or in a cash pooling managed by the Institut Mérieux, its controlling shareholder. As of December 31, 2010, the Company had 180.3 million euros in cash, cash equivalents and other financial assets, compared with 64.7 million euros as of December 31, 2009.

Elements of cash flow:

Excluding the May 2010 capital increase (152.0 million euros in gross proceeds) as well as the investment made in the equity capital of Jennerex, Inc. (5.0 million US dollars), the cash consumption amounted to 28.8 million euros in 2010, compared with 22.0 million euros in 2009, in line with market guidance.

Including the 5.0 million US dollars investment made in the equity capital of Jennerex, Inc., the cash consumption of Transgene amounted to 32.9 million euros in 2010.

Transgene expects net cash consumption in the region of 40 million euros in 2011. The increase is due to the anticipated development of our clinical portfolio of product candidates.

KEY NEWS-FLOW SINCE JANUARY 2010

- March 2010: Transgene granted Novartis an option for an exclusive global license on TG4010, a product initially developed for Non-Small Cell Lung Cancer ("NSCLC").
- June 2010: 152.0 million euros capital increase through the issuance (rights issue) of 9,498,621 new shares at 16 euros per share.
- June 2010: Mr. Philippe Archinard, CEO of the Company, is appointed also as Chairman of the Board.
- July 2010: start of HCVac, a phase II clinical trial of TG4040 in HCV.
- September 2010: Mr. Stéphane Boissel is appointed as Executive Vice President and CFO of the Company.
- September 2010: positive Scientific Advice from the European Medicines Agency for the phase IIb/III trial with TG4010 in NSCLC.
- September 2010: licensing agreement with Jennerex, Inc. for the EU, CIS and Middle-East development and commercialization rights to JX594/TG6006, Jennerex's lead product initially developed for liver hepatocarcinoma ("HCC").
- September 2010: agreement with Ventana Medical System, Inc., a world leader in the field of immunohistochemistry assays, for the development of a companion diagnostic test for TG4010.
- November 2010: Mr. Patrick Mahieux is appointed as Vice President Industrial and Pharmaceutical operations.
- December 2010: agreement with Beckman Coulter, Inc., a world leader in the field of flow cytometry assays, for the development of a companion diagnostic test for TG4010.
- February 2011: termination by Roche of the 2007 licensing agreement re: TG4001.

KEY EXPECTED NEWS-FLOW IN 2011

- Interim data from the phase I clinical trial with TG4023 in solid tumors (H1 2011)
- First patient enrolled in the phase IIb/III clinical trial of JX594/TG6006 in HCC (mid-2011)
- First data from the phase II clinical trial with TG4040 in HCV (HCVac) (H2 2011)
- First patient enrolled in the phase IIb/III clinical trial with TG4010 in NSCLC (end-2011)
- Interim data from the phase IIb clinical trial with TG4001 in high-grade cervical dysplasia (CIN 2/3) caused by the human papilloma virus ("HPV") (Q4 2011-Q1 2012)

The company will host a conference call and webcast in English today, Wednesday, March 16th. The conference call and webcast will start at 4pm CET. The dial-in numbers are:

+1 212 444 0481 (US)
+44 (0)20 7138 0824 (UK)
+41 (0)43 456 9155 (Switzerland))

Confirmation code: **3064825**

The weblink for the webcast is:
http://www.thomson-webcast.net/uk/dispatching/?event_id=4bdb8617a8084ab4a9a0c80392c23212&portal_id=3931a7cdcddca564ebb4cb3d2dad6baf&language=en

About Transgene:

Transgene, a member of the Institut Mérieux Group, is a publicly traded French biopharmaceutical company dedicated to the development of therapeutic vaccines and immunotherapeutic products in oncology and infectious diseases, and has five compounds in clinical development: TG4010 and JX594/TG6006 having completed initial phase II trials, TG4001 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:

- An option agreement with Novartis for the development of TG4010 to treat various cancers, and
- An in-licensing agreement with US-based Jennerex Biotherapeutics, Inc., to develop and market JX594/TG6006, an oncolytic product.

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

Disclaimer:

This press release contains forward-looking statements referring to the anticipated cash consumption for 2011. The Company's anticipated cash consumption for 2011 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 Trangene's Document de Référence on file with the French Autorité des marchés financiers on its website at http://www.amffrance.org and on Transgene's website at www.transgene.fr .

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Transgene SA

Consolidated balance sheet, IFRS

(in thousands of euros)

ASSETS	12/31/2010	12/31/2009
Current assets:		
Cash and cash equivalents	1,379	64,693
Other current financial assets	178,917	-
Cash, cash equivalent and other financial assets:	**180,296**	**64,693**
Receivables	1,163	1,039
Inventories	972	817
Other current assets	2,764	6,823
Total current assets	**185,195**	**73,372**
Non-current assets:		
Property, plant and equipment	24,763	23,571
Intangible assets	1,650	1,446
Financial assets	4,224	275
Other non-current assets	7,855	-
Net deferred tax assets	-	-
Total non-current assets	**38,492**	**25,292**
Total assets	**223,687**	**98,664**

EQUITY and LIABILITIES	12/31/2010	12/31/2009
Current liabilities:		
Payables	8,715	4,949
Financial liabilities	1,150	897
Provision for risks	2	-
Other current liabilities	8,772	5,402
Total current liabilities	**18,639**	**11,248**
Non-current liabilities:		
Financial liabilities	16,684	16,745
Defined benefit obligations	2,390	2,109
Other non-current current liabilities	2,355	-
Total non-current liabilities	**21,429**	**18,854**
Total liabilities	**40,068**	**30,102**
Equity:		
Share capital	72,460	50,653
Share premiums	424,409	296,810
Retained earnings	(278,810)	(251,464)
Net loss for the year	(34,219)	(27,347)
Other comprehensive income	(221)	(90)
Minority interests	-	-
Total Equity and Reserves Attributable to Equity Holders of the Company	**183,619**	**68,562**
Total equity and liabilities	**223,687**	**98,664**

Transgene SA
Income statement
(in thousands of euros, except for per share data)

	12/31/2010	12/31/2009
Revenue from collaborative and licensing agreements	5,648	5,552
Government financing for research expenditures	8,464	6,213
Revenue	**14,112**	**11,765**
Research and development expenses	(42,521)	(33,027)
General and administrative expenses	(6,296)	(6,147)
Other income and (expenses), net	100	74
Net operating expenses	**(48,717)**	**(39,100)**
Operating income	**(34,605)**	**(27,335)**
Interest income and (expenses), net	386	(12)
Income / (loss) before tax	**(34,219)**	**(27,347)**
Income tax expense	-	-
Net income / (loss)	**(34,219)**	**(27,347)**
Net income per share (€)	(1.24)	(1.24)
Diluted earnings per share (€)	(1.24)	(1.24)

Transgene SA
Comprehensive income
(in thousands of euros)

	12/31/2010	12/31/2009
Net loss	**(34,219)**	**(27,347)**
Foreign exchange gains or losses	2	(4)
Reevaluation of hedging instruments	(134)	(86)
Other comprehensive income	**(132)**	**(90)**
Comprehensive income	**(34,351)**	**(27,437)**
Of which, equity holders of the parent	(34,351)	(27,437)
Of which, minority interests	-	-

Transgene SA

Consolidated cash flow statement, IFRS

(in thousands of euros)

	12/31/2010	12/31/2009
Cash flow from operating activities:		
Operating income	(34,605)	(27,335)
Elimination of non-cash elements:		
Changes in provisions	183	205
Depreciation and amortization of tangible and intangible assets	2,413	2,213
Payments in shares	1,038	1,547
Others	72	32
Net cash generated from / (used in) operating activities before change in working capital and other operating cash flow:	**(30,899)**	**(23,338)**
Changes in operating working capital:		
Receivables	(87)	(158)
Inventories	(155)	(222)
Other current assets	(3,831)	7,343
Payables	3,616	248
Prepaid income	5,181	(1,981)
Accrued employee benefits expense	631	448
Other current liabilities	2	(1,236)
Net cash generated from / (used in) operating activities before other operating cash flow:	**(25,541)**	**(18,896)**
Other operating cash flows:		
Financial income	970	684
Financial expenses	(392)	(509)
Exchange gains and losses	34	1
Net cash generated from / (used in) operating activities:	**(24,929)**	**(18,720)**
Cash flow from investing activities:		
(Purchase) / disposal of property, plant and equipment	(3,206)	(3,951)
(Purchase) / disposal of intangible assets	(526)	(279)
Other (purchase) / disposal	(3,949)	150
Net cash generated from / (used in) investing activities:	**(7,681)**	**(4,080)**
Cash flow from financing activities:		
Gross proceeds from issuance of share capital	152,435	230
Fees paid in relation to capital increase	(4,067)	-
Conditional subsidies	740	1,865
(Acquisition)/disposal of current financial assets	(178,917)	-
Repayment of finance lease liabilities	(897)	(1,299)
Net cash generated from / (used in) financing activities:	**(30,706)**	**796**
Effect of changes in exchange rates on cash and cash equivalents	2	(4)
Net increase (decrease) in cash and cash equivalents:	**(63,314)**	**(22,008)**
Cash and cash equivalents at beginning of period	64,693	86,701
Cash and cash equivalents at end of period	**1,379**	**64,693**
Investment in other financial assets	178,917	-
Cash, cash equivalent and other financial assets:	**180,296**	**64,693**

Transgene SA
Statement of consolidated changes in equity
(in thousands of euros)

Movements	Common shares		Share premium	Retained earnings	Other comprehensive income	Profit and loss	Closing balance net worth
	Number of shares	Share capital					
As at December 31, 2008	**22,105,746**	**50,580**	**295,105**	**(233,463)**	**1**	**(18,000)**	**94,222**
Payments in shares	31,809	-	1,546	-	-	-	1,546
Capital increase	-	73	158	-	-	-	231
Net loss appropriation 2008	-	-	-	(18,000)	-	18,000	-
Net loss for 2009	-	-	-	-	-	(27,347)	(27,347)
Revaluation variance	-	-	-	-	(4)	-	(4)
Cash flow hedging	-	-	-	-	(86)	-	(86)
As at December 31, 2009	**22,137,555**	**50,653**	**296,809**	**(251,463)**	**(89)**	**(27,347)**	**68,562**
Payments in shares	32,024	-	1,038	-	-	-	1,038
Issuance of shares	9,498,621	21,807	126,561	-	-	-	148,368
Net loss appropriation 2009	-	-	-	(27,347)	-	27,347	-
Net loss for 2010	-	-	-	-	-	(34,219)	(34,219)
Valuation gains and losses taken to equity	-	-	-	-	2	-	2
Cash flow hedging	-	-	-	-	(134)	-	(134)
As at December 31, 2010	**31,668,200**	**72,460**	**424,409**	**(278,810)**	**(221)**	**(34,219)**	**183,618**