Transgene Reports Full Year 2011 Results

- **Important clinical data published in 2011 and significant upcoming news-flow**
- **Cash burn in line with guidance and €139.5 million in cash at end 2011**

Strasbourg, France, March 19, 2012 – Transgene (Euronext Paris: FR0005175080) announces today its annual financial results for 2011 and updates the market on its strategy and its portfolio of product candidates. The consolidated 2011 financial statements were approved by the Board of Directors on March 15, 2012, and will be submitted for approval by the shareholders of the Company during its next annual general meeting, on June 21, 2012. The audit procedures have been performed and the auditors' report will be issued upon review of the annual report.

Financial Statements for 2011 (enclosed):

Key highlights of the 2011 annual financial statements are as follows:

- Revenue amounted to 14.4 million euros in 2011, compared with 14.1 million euros in 2010 (+2%),
- An increase by approximately 25% in research and development expenses to 53.0 million euros in 2011 (from 42.5 million euros in 2010), due principally to the increase in clinical trials expenses as well as to milestone payments under licensing agreements,
- A net loss of 43.6 million euros in 2011, compared to 34.2 million euros in 2010, due principally to the increase in research and development expenses, and
- A net cash consumption of 40.8 million euros, in line with guidance.

As of December 31, 2011, the Company had 139.5 million euros in cash, cash equivalents and other financial assets. Transgene expects a cash consumption of around 50 million euros in 2012. The increase from 2011 would principally be due to the growth in expenses in relation to clinical trials for the product candidates TG4010 and JX594/TG6006.

Update on the Strategy and the Portfolio of Product Candidates:

At the end of 2011, Transgene has started TIME, a phase 2b/3 clinical trial in non-small cell lung cancer ("NSCLC") with TG4010, a therapeutic vaccine. First clinical centers are open (in six countries) for recruitment and first patients have been screened.

Together with its partner Jennerex, Inc., Transgene has recently started TRAVERSE, a phase 2b clinical trial for the second line treatment of advanced Hepatocarcinoma (liver cancer). A new study in HCC is due to start in the middle of this year which , together with 4 other phase 2 trials in liver cancer and/or metastatic colorectal cancer, should enable the partners to best define the strategy for the upcoming phase 3 expected to start in 2013.

For TG4040, a therapeutic vaccine in type C hepatitis ("HCV"), Transgene has recently (November 2011) announced promising clinical data. The Company will publish an update of these data during the upcoming EASL meeting in April (selected for oral presentation). Transgene is currently in discussion with several potential partners for the next stage of development of this product which the Company intends to position as the immunotherapeutic option of choice for use in combination with novel antiviral agents.

Transgene expects from Roche (for the second quarter of 2012) the interim efficacy data of the 200-patients large phase 2b trial conducted by the latter with TG4001, a therapeutic vaccine developed in HPV-caused precancerous lesions of the cervix. Positive data would open new perspectives for this product, the rights of which were entirely granted back to Transgene last year. Based on the data, Transgene intends to find one or more partners for the pivotal development and the future commercialization of this product.

Lastly, operations in the 50:50 Chinese joint venture company between Transgene and Tasly as well as in Transgene's wholly-owned Chinese company dedicated to translational research are expected to start in 2012.

"2011 was a rich year for Transgene in terms of news-flow, with important clinical data for our therapeutic vaccine in HCV as well as high level publications for our TG4010 and JX594/TG6006 products" said Philippe Archinard, Chairman and CEO of Transgene. He added: *"We have recently started important studies for our lead products and we expect several key clinical data in the upcoming 18 months. We have the financial means to pursue our ambitious strategy and are confident for our long term prospect".*

The company will host a conference call and webcast in English today, Monday, March 19th. The conference call and webcast will start at 7pm CET. The dial-in numbers are:

+44(0)20 7136 2050 (UK)
+1646 254 3366 (US)
+41(0)43 547 8000 (Switzerland)
+33(0)1 70 99 42 71 (France)

Confirmation code: **4512046**

The weblink for the webcast is: http://www.media-server.com/m/p/q42ovq4i

DISCUSSION ON FINANCIALS FOR 2011

Income statement:

In thousands of euros	12/31/2011	12/31/2010
Revenue from collaborative and licensing agreements	5,646	5,648
Government financing for research expenditures	8,800	8,464
Revenue	**14,446**	**14,112**
Research and development expenses	(53,048)	(42,521)
General and administrative expenses	(6,226)	(6,296)
Other income and (expenses), net	-	100
Net operating expenses	**(59,274)**	**(48,717)**
Operating income	**(44,828)**	**(34,605)**
Interest income and (expenses), net	1 426	386
Income / (loss) before tax	**(43,402)**	**(34,219)**
Income tax expense	-	-
Share of profit (loss) of associates and joint ventures	(224)	-
Net income / (loss)	**(43,626)**	**(34,219)**
Net income per share (€)	(1.38)	(1.24)
Diluted earnings per share (€)	(1.38)	(1.24)

Revenue:

During 2011, revenue from collaborative and licensing agreements were composed principally of:

- Revenue from collaborative research and manufacturing activities for partners third parties (such as for Roche, in connection with TG4001, or Jennerex, Inc. in connection with JX594/TG6006), amounting to 2.8 million euros (1.7 million euros in 2010),
- Milestone or upfront payments on products partnered-out (such as the option payment from Novartis in connection with TG4010), amounting to 2.1 million euros (3.2 million euros in 2010), and
- Royalties on sales of technologies or products out-licensed by Transgene, amounting to 0.7 million euros (unchanged).

The 10.0 million US dollars (7.4 million euros) received from Novartis in March 2010 for the payment of the exclusive option for an exclusive license to TG4010, was spread over the expected duration period of the option. This period runs from the date of signature up to June 30, 2013. Revenue recognized on this option amounted to 2.1 million euros (2.7 million euros in 2010). The balance (2.6 million euros) will be recognized in revenue in 2012 and 2013.

For the year ending December 31, 2011, government financing for research expenditures are composed of subsidies received or accrued and research tax credit for the year 2011.

Subsidies amounted to 1.0 million euros in 2011, compared with 0.9 million euros in 2010. In 2011, 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 1.9 million euros in subsidies in relation to this program in the future (3.2 million euros in revenue, as part of this amount was already cashed-in).

The research tax credit amounted to 7.8 million euros in 2011, unchanged. Net eligible expenses amounted to 25.9 million euros in 2011 (26.2 million euros in 2010). The variation in net eligible expenses between 2010 and 2011 does not reflect the change in research and development expenses (+25%). This is explained by (i) a change in research tax credit calculation methodology introduced for the fiscal year 2011 (decrease in the percentage of overheads charged on staff costs) that has had a negative impact of 1.7 million euros on the eligible expenses as well as by (ii) 4.1 million euros in subsidies and grants cashed-in during the year and deducted from the eligible expenses (1.7 million euros in 2010). In addition, research and development expenses included 6.9 million euros in milestone payments (nil in 2010). These expenses are not eligible expenses for the research tax credit calculation.

Operating expenses:

R&D expenses amounted to 53.0 million euros in 2011, compared with 42.5 million euros in 2010, an increase of 25%. This increase was due principally to the increase in expenses relating to clinical trials as well as milestone payments to Jennerex, Inc. in relation to the JX594/TG6006 license agreement.

The table below lists the research and development expenses per nature of expense:

In million euros	**12/31/2011**	**12/31/2010**
Staff costs	18.9	17.5
Payment in shares	1.1	0.7
External intellectual property and licensing costs	9.2	2.2
External expenses on clinical trials	8.6	6.6
External expenses on other projects	3.9	4.2
Internal/structure costs	8.6	9.0
Depreciation and amortization	2.7	2.3
Research and development expenses	**53.0**	**42.5**

R&D staff costs amounted to 18.9 million euros in 2011, to be compared with 17.5 million euros in 2010. This variation is explained by an increase in headcount (242 FTE in 2011 vs. 230 in 2010) as well as by an increase in salaries (3% in average).

External intellectual property and licensing costs amounted to 9.2 million euros in 2011, to be compared with 2.2 million euros in 2010. This increase is mostly explained by payments made or due to Jennerex, Inc. for clinical and production milestone achieved in 2011 with JX594/TG6006 (6.9 million euros in 2011, nil in 2010).

External expenses on clinical trials amounted to 8.6 million euros in 2011, to be compared with 6.6 million euros in 2010. This increase is explained by the clinical advancement in 2011 of our most advanced products: TG4040 (4.2 million euros in 2011 vs. 3.0 million euros in 2010), TG4010 (3.1 million euros in 2011, unchanged) and JX594/TG6006 (0.9 million euros in 2011 vs. insignificant in 2010).

External expenses on other projects, including research, pre-clinical and industrial projects, amounted to 3.9 million euros in 2011, to be compared with 4.2 million euros in 2010. This decrease is mostly explained by a decrease in outsourcing activities on industrial projects (0.6

million euros in 2011 vs. 1.4 million euros in 2010), notably for the development of novel manufacturing processes.

Internal/structure costs are expenses related to operating the research and production facilities, including but not limited to cost of the finance lease, maintenance costs and supply of laboratory materials. These costs amounted to 8.6 million euros in 2011, compared to 9.0 million euros in 2010. This decrease is mostly driven by a decrease in laboratory supply (4.0 million euros in 2011 vs. 4.4 million euros in 2010) as Transgene focused on its most advanced clinical projects.

The table below lists the general and administrative expenses per nature of expense:

In million euros	**12/31/2011**	**12/31/2010**
Staff costs	2.7	2.9
Payment in shares	0.4	0.4
Advisory and management fees	2.1	1.9
Other overheads	0.9	1.0
Depreciation and amortization	0.1	0.1
General and administrative expenses	**6.2**	**6.3**

G&A staff costs amounted to 2.7 million euros in 2011, to be compared with 2.9 million euros in 2010. This variation is mostly explained by a non-recurring expense in 2010.

Advisory and management fees amounted to 2.1 million euros in 2011, to be compared with 1.9 million euros in 2010.

Interest income and (expenses), net:

Interest income, net of interest expenses, amounted to 1.4 million euros in 2010 (0.4 million euros in 2010). Interest income on investments amounted to 1.9 million euros in 2011 (1.0 million euros in 2010). The interest expenses were principally related to the interest on lease financing of the main premises of Transgene (0.4 million euros in 2011).

Net loss:

Net loss amounted to 43.6 million euros in 2011, compared with 34.2 million euros in 2010. Net loss per share amounted to 1.38 euros in 2011 (1.24 euros per share in 2010).

Investments:

In 2011 and 2010, investment in tangible and intangible assets amounted respectively to 3.8 and 3.7 million euros. In 2011, Transgene also invested 1.75 million US dollars in the equity capital of its strategic partner Jennerex, Inc. (5.0 million US dollars, or 3.8 million euros, in 2010).

Borrowings and conditional subsidies:

In 2011, Transgene received 3.1 million euros in conditional subsidies from OSEO in relation to the ADNA program (see above). The Company expects to receive another 9.4 million euros in conditional loans up to the end of this program (2016).

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, 2011, the Company had 139.5 million euros in cash, cash equivalents and other financial assets, compared with 180.3 million euros as of December 31, 2010.

Elements of cash flow:

Excluding the investment made in the equity capital of Jennerex, Inc. (1.75 million US dollars), the cash consumption amounted to 39.6 million euros in 2011 (28.8 million euros in 2010).

Including the 1.75 million US dollars investment made in the equity capital of Jennerex, Inc., the cash consumption of Transgene amounted to 40.8 million euros in 2011.

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 four compounds in Phase II clinical development: TG4010 and JX594/TG6006 having already completed initial Phase II trials, TG4001 and TG4040. 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, Inc. to develop and market JX594/TG6006, an oncolytic virus. Transgene has bio-manufacturing capacities for viral-based products. Additional information about Transgene is available at www.transgene.fr.

Disclaimer:

This press release contains forward-looking statements notably referring to the anticipated cash consumption for 2012. The Company's anticipated cash consumption for 2012 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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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet, IFRS

(in thousands of euros)

ASSETS	12/31/2011	12/31/2010
Current assets:		
Cash and cash equivalents	1,733	1,379
Other current financial assets	137,774	178,917
Cash, cash equivalent and other financial assets:	**139,507**	**180,296**
Receivables	624	1,162
Inventories	1,093	972
Other current assets	2,560	2,764
Total current assets	**143,784**	**185,195**
Non-current assets:		
Property, plant and equipment	25,507	24,763
Intangible assets	1,581	1,650
Financial assets	6,175	4,111
Associates and joint ventures	544	113
Other non-current assets	15,993	7,855
Total non-current assets	**49,800**	**38,492**
Total assets	**193,584**	**223,686**

EQUITY and LIABILITIES	12/31/2011	12/31/2010
Current liabilities:		
Payables	10,840	8,714
Financial liabilities	955	930
Provision for risks	3	2
Other current liabilities	9,319	8,773
Total current liabilities	**21,117**	**18,419**
Non-current liabilities:		
Financial liabilities	27,374	16,904
Defined benefit obligations	2,794	2,390
Other non-current current liabilities	883	2,355
Total non-current liabilities	**31,051**	**21,649**
Total liabilities	**52,168**	**40,068**
Equity:		
Share capital	72,523	72,460
Share premiums	426,041	424,408
Retained earnings	(313,030)	(278,810)
Net loss for the year	(43,626)	(34,219)
Other comprehensive income	(492)	(221)
Total Equity and Reserves Attributable to Equity Holders of the Company	**141,416**	**183,618**
Total equity and liabilities	**193,584**	**223,686**

Income statement

(in thousands of euros, except for per share data)

	12/31/2011	12/31/2010
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Comprehensive income

(in thousands of euros)

	12/31/2011	12/31/2010
Net loss	**(43,626)**	**(34,219)**
Foreign exchange gains or losses	(1)	2
Reevaluation of hedging instruments	(270)	(134)
Other comprehensive income	**(271)**	**(132)**
Comprehensive income	**(43,897)**	**(34,351)**
Of which, equity holders of the parent:	(43,897)	(34,351)
Of which, minority interests:	-	-

Consolidated cash flow statement, IFRS

(in thousands of euros)

	12/31/2011	12/31/2010
Cash flow from operating activities:		
Operating income	(44,828)	(34,604)
Elimination of non-cash elements:		
Changes in provisions	260	183
Depreciation and amortization of tangible and intangible assets	2,740	2,413
Payments in shares	1,441	1,038
Others	5	72
Net cash generated from / (used in) operating activities before change in working capital and other operating cash flow:	**(40,383)**	**(30,898)**
Changes in operating working capital:		
Receivables	685	(87)
Research tax credit accrued for the period	(7,785)	(7,855)
Research tax credit refunded by the Government during the period	-	4,824
Inventories	(121)	(155)
Other current assets	219	(800)
Payables	2,292	3,616
Prepaid income	(1,678)	5,181
Accrued employee benefits expense	39	631
Other current liabilities	714	2
Net cash generated from / (used in) operating activities before other operating cash flow:	**(46,018)**	**(25,541)**
Other operating cash flows:		
Financial income	1,941	970
Financial expenses	(401)	(392)
Exchange gains and losses	316	34
Net cash generated from / (used in) operating activities:	**(44,162)**	**(24,929)**
Cash flow from investing activities:		
(Purchase) / disposal of property, plant and equipment	(3,302)	(3,206)
(Purchase) / disposal of intangible assets	(548)	(526)
Other (purchase) / disposal	(1,668)	(3,949)
Net cash generated from / (used in) investing activities:	**(5,518)**	**(7,681)**
Cash flow from financing activities:		
Gross proceeds from issuance of share capital	254	152,435
Fees paid in relation to capital increase	-	(4,067)
Conditional subsidies	3,103	740
(Acquisition)/disposal of current financial assets	41,143	(178,917)
Financing of the research tax credit for previous periods	6,465	-
Repayment of finance lease liabilities	(930)	(897)
Net cash generated from / (used in) financing activities:	**50,035**	**(30,706)**
Effect of changes in exchange rates on cash and cash equivalents	(1)	2
Net increase (decrease) in cash and cash equivalents:	**354**	**(63,314)**
Cash and cash equivalents at beginning of period	1,379	64,693
Cash and cash equivalents at end of period	**1,733**	**1,379**
Investment in other financial assets	137,774	178,917
Cash, cash equivalent and other financial assets:	**139,507**	**180,296**