

Transgene Reports 2012 Half Year Results

- Cash flow in line with guidance and cash of €121.4 million at end of June 2012
 - Rich news-flow ahead

Strasbourg, France, September 11, 2012 – Transgene (Euronext Paris: FR0005175080) announces today its half year financial results for the six-month period ended June 30, 2012. The 2012 half year results were approved by the Board of Directors on September 11, 2012. They will not be submitted for approval by the shareholders. Limited review procedures have been performed by the statutory auditors. The Interim Financial Report is available on the Company's website.

Financial Statements for the six-month period ending June 30, 2012:

Key highlights of the 2012 half year annual financial statements are as follows:

- Revenue amounting to 6.1 million euros in the first six months of 2012, to be compared with 8.1 million euros in the first six months of 2011,
- Research and development expenses amounting to 23.8 million euros in the first six months of 2012, compared to 23.4 million euros in the first six months of 2011,
- A net loss of 21.8 million euros in the first six months of 2012, compared to 17.7 million euros in the first six months of 2011,
- A net cash consumption of 18.1 million euros during the first six months of 2012, compared to 17.1 million euros in the first six months of 2011.

As of June 30, 2012, the Company had 121.4 million euros in cash, cash equivalents and other financial assets.

Cash consumption in the second half of 2012 is expected to be higher than in the first half. Transgene therefore expects a cash consumption in the region of 50 million euros in 2012.

« Our cash consumption and our development are in line with our business plan. » said Stéphane Boissel, EVP and CFO of Transgene. He added: *« The increase of our burn rate in 2012 will be directly linked to the increase in clinical expenses, due to a large panel of ongoing studies, notably with TG4010 (lung cancer) and JX594/TG6006 (liver and colorectal cancers) ».*

« The first part of 2012 was robust in news for Transgene, with additional efficacy data for TG4040 in HCV, a new program in HBV (TG1050) and clinical proof of concept obtained with TG4001 that should enable us to continue its development in HPV-induced cancers » said Philippe Archinard, Chairman and CEO of Transgene. He added: *“We expect a rich news-flow ahead, with critical clinical data for three of our most advanced programs and possibly the start of our first pivotal clinical trials”.*

DISCUSSIONS ON FINANCIALS FOR THE FIRST HALF OF 2012

Revenue:

The following table summarizes the change in revenue in the first six months of 2012, in comparison to the same period in 2011:

In million euros	First six months	
	2012	2011
Revenue from collaborative and licensing agreements	1.6	3.8
Government financing for research expenditures	4.5	4.3
Revenue	6.1	8.1

During the first half of 2012, revenue from collaborative and licensing agreements was composed principally of:

- Fees for manufacturing product batches or conducting research or development activities for third parties (such as for Jennerex, in connection with JX594/TG6006), amounting to 0.4 million euros in the six-month period ended June 30, 2012, compared with 2.4 million euros in the same period in 2011,
- Milestone or upfront payments on products partnered-out (such as the option payment from Novartis in connection with TG4010), amounting to 1.0 million euros in the six-month period ended June 30, 2012, compared with 1.2 million euros in the same period in 2011, and
- Royalties on sales of technologies or products out-licensed by Transgene, amounting to 0.2 million euros in the six-month period ended June 30, 2012, 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 license of TG4010, was spread over the expected duration period of the option. Revenue recognized on this option amounted to 0.9 million euros in the six-month period ended June 30, 2012, and 5.6 million euros since the upfront payment was received. The balance, 1.8 million euros, will be recognized as revenue up until June 2013.

For the six-month period ended June 30, 2012, government financing for research expenditures were composed of subsidies received or accrued as well as of research tax credit.

Subsidies amounted to 0.6 million euros in the six-month period ended June 30, 2012, compared to 0.4 million euros in the six-month period ended June 30, 2011. In the first half of 2012, subsidies were mostly related to the ADNA program, for which Transgene cashed-in 3.6 million euros in subsidies and grants in the first half of 2012.

The research tax credit amounted to 3.8 million euros in the six-month period ended June 30, 2012, compared to 3.9 million euros in the six-month period ended June 30, 2011. The research tax credit for the first six months of 2012 was calculated as half of the research tax credit expected (as of June 30, 2012) for the full year 2012.

Operating expenses:

R&D expenses amounted to 23.8 million euros in the six-month period ended June 30, 2012, compared with 23.4 million euros in the six-month period ended June 30, 2011.

The main R&D line items were:

- Staff costs, including payroll and other staff related expenses, amounting to 9.9 million euros in the six-month period ended June 30, 2012, unchanged,
- 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 6.1 million euros in the six-month period ended June 30, 2012, unchanged,
- External expenses in relation to clinical trials, amounting to 5.6 million euros in the six-month period ended June 30, 2012, compared to 4.3 million euros in the six-month period ended June 30, 2011,
- Other external expenses, including expenses on research and pre-clinical programs as well as expenses on industrial projects, amounting to 2.2 million euros in the six-month period ended June 30, 2012, compared to 3.1 million euros in the six-month period ended June 30, 2011.

General and administrative expenses amounted to 3.3 million euros in the six-month period ended June 30, 2012, compared to 3.0 million euros in the six-month period ended June 30, 2011. Principal G&A expenses were staff costs (1.3 million euros in the six-month period ended June 30, 2012, compared to 1.4 million euros in the six-month period ended June 30, 2011) as well as consulting and management fees (1.3 million euros in the six-month period ended June 30, 2011, compared to 1.0 million euros in the six-month period ended June 30, 2011).

Other expenses and income, net:

Other expenses, net amounted to 0.4 million euros in the six-month period ended June 30, 2012.

Interest income and (expenses), net:

Interest expenses, net, amounted to 0.1 million euros in the six-month period ended June 30, 2012, compared to 0.6 million euros in interest income, net, in the six-month period ended June 30, 2011. Interest income on investments amounted to 0.4 million euros in the six-month period ended June 30, 2012, compared to 0.9 million euros in the six-month period ended June 30, 2011. The interest expenses were principally related to the interest on lease financing of the main premises of Transgene, which amounted to 0.1 million euros in the six-month period ended June 30, 2012, unchanged.

Net loss:

Net loss amounted to 21.8 million euros in the six-month period ended June 30, 2012, compared to 17.7 million euros in the six-month period ended June 30, 2011. Net loss per share amounted to 0.69 euro in the six-month period ended June 30, 2012, compared to 0.56 euro in the six-month period ended June 30, 2011.

Investments:

Investments in tangible and intangible assets (net of disposals) amounted to 1.2 and 2.2 million euros in the six-month periods ended respectively June 30, 2012 and 2011.

Borrowings and conditional subsidies:

In the first six months of 2012, Transgene received conditional loans to the amount of 3.1 million under the ADNA program, which has public funding from OSEO.

In the first six months of 2012, the Group pre-financed its 2011 research credit amounting to 7.9 million euros through a bank loan maturing mid-2015, the expected repayment period by the French government for this claim.

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 June 30, 2012, the Company had 121.4 million euros in cash, cash equivalents and other financial assets, compared with 139.5 million euros as of December 31, 2011.

Elements of cash-flow:

The cash consumption amounted to 18.1 million euros in the first six months of 2012, compared with 17.1 million euros in the first six months of 2011.

Transgene expects a net cash consumption in the region of 50 million euros in 2012.

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 2 clinical development: TG4010 and JX594/TG6006 having already completed initial phase 2 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 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 Transgene'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 INTERIM BALANCE SHEET, IFRS (in thousands of euros)

ASSETS	NOTE	30.06.2012	31.12.2011
CURRENT ASSETS:			
Cash and cash equivalents	2	10,696	1,733
Other current financial assets	2	110,726	137,774
Cash, cash equivalent and other financial assets:	2	121,422	139,507
Receivables		702	624
Inventories		1,175	1,093
Other current assets	3	3,338	2,560
TOTAL CURRENT ASSETS		126,637	143,784
NON-CURRENT ASSETS:			
Property, plant and equipment	4	25,478	25,507
Intangible assets	5	1,547	1,581
Financial assets	6	7,134	6,175
Equity consolidated affiliates	6	344	544
Other non-current assets	7	20,049	15,993
TOTAL NON-CURRENT ASSETS		54,552	49,800
TOTAL ASSETS		181,189	193,584
EQUITY AND LIABILITIES	NOTE	30.06.2012	31.12.2011
CURRENT LIABILITIES:			
Payables		9,088	10,840
Financial liabilities	8	953	955
Provision for risks		2	3
Other current liabilities	9	9,245	9,319
TOTAL CURRENT LIABILITIES		19,288	21,117
NON-CURRENT LIABILITIES:			
Financial liabilities	8	38,179	27,374
Defined benefit obligations	10	3,005	2,794
Other non-current liabilities	9	-	883
TOTAL NON-CURRENT LIABILITIES		41,184	31,051
TOTAL LIABILITIES		60,472	52,168
EQUITY:			
Share capital	11	72,723	72,523
Share premiums		427,003	426,041
Retained earnings		(356,655)	(313,030)
Net loss for the year		(21,760)	(43,626)
Other comprehensive income		(594)	(492)
TOTAL EQUITY AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		120,717	141,416
TOTAL EQUITY AND LIABILITIES		181,189	193,584

CONSOLIDATED INTERIM INCOME STATEMENT, IFRS

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

	NOTE	30.06.2012	30.06.2011
Revenue from collaborative and licensing agreements	12	1,593	3,744
Government financing for research expenditures	12	4,481	4,320
REVENUE		6,074	8,064
Research and development expenses		(23,814)	(23,431)
General and administrative expenses		(3,313)	(2,983)
Other income and (expenses), net	13	(424)	41
NET OPERATING EXPENSES		(27,551)	(26,373)
OPERATING INCOME		(21,477)	(18,309)
Interest income and (expenses), net	14	(83)	639
INCOME / (LOSS) BEFORE TAX		(21,560)	(17,670)
Income tax expense	15	-	-
Income from equity affiliates	6	(200)	-
NET INCOME / (LOSS)		(21,760)	(17,670)
Net income per share (€)	11	(0.69)	(0.56)
Diluted earnings per share (€)	11	(0.69)	(0.56)

COMPREHENSIVE INCOME, IFRS (in thousands of euros)

	30.06.2012	30.06.2011
NET INCOME / (LOSS)	(21,760)	(17,670)
Foreign exchange gains or losses	24	(2)
Reevaluation of hedging instruments	(126)	77
OTHER COMPREHENSIVE INCOME	(102)	75
COMPREHENSIVE INCOME	(21,862)	(17,595)
Of which, equity holders of the parent	(21,862)	(17,595)
Of which, minority interests	-	-

CONSOLIDATED INTERIM CASH FLOW STATEMENT, IFRS (in thousands of euros)

	30.06.2012	30.06.2011
CASH FLOW FROM OPERATING ACTIVITIES:		
NET INCOME:	(21,760)	(17,670)
ELIMINATION OF NON-CASH ELEMENTS:		
Income from equity affiliates	200	-
Non cash interest	323	121
Changes in provisions	135	143
Depreciation and amortization of tangible and intangible assets	1,368	1,305
Payments in shares	436	720
Others	-	23
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL AND OTHER OPERATING CASH FLOW:	(19,298)	(15,358)
CHANGES IN OPERATING WORKING CAPITAL:		
Receivables	(416)	1,017
Inventories	(82)	(61)
Other current asset	(3,992)	(3,953)
Payables	(2,081)	(405)
Prepaid income	(401)	(1,438)
Accrued employee benefits expense	(316)	(591)
Other current liabilities	(242)	-
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES:	(26,828)	(20,789)
CASH FLOW FROM INVESTING ACTIVITIES:		
(Purchase) / disposal of property, plant and equipment	(827)	(1,709)
(Purchase) / disposal of intangible assets	(148)	(463)
Other (purchase) / disposal	(170)	(390)
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES:	(1,145)	(2,562)
CASH FLOW FROM FINANCING ACTIVITIES:		
Gross proceeds from issuance of share capital	726	255
Fees paid in relation to capital increase	-	-
Conditional subsidies	3,116	13
(Acquisition)/disposal of current financial assets	27,048	29,493
Research tax credit financing	6,500	6,465
Repayment of finance lease liabilities	(478)	(461)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES:	36,912	35,765
Effect of changes in exchange rates on cash and cash equivalents	24	(2)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	8,963	12,412
Cash and cash equivalents at beginning of period	1,733	1,379
CASH AND CASH EQUIVALENTS AT END OF PERIOD	10,696	13,791
Investment in other financial assets	110,726	149,424
CASH, CASH EQUIVALENT AND OTHER FINANCIAL ASSETS:	121,422	163,215

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY, IFRS

(in thousands of euros, except for shares data)

	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME	PROFIT AND LOSS	CLOSING BALANCE NET WORTH
AS OF JUNE 30, 2011	31,695,882	72,523	425,320	(313,029)	(146)	(17,670)	166,998
Payments in shares	-	-	720	-	-	-	720
Capital increase	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(25,956)	(25,956)
Change in fair value of marketable securities available-for-sale	-	-	-	-	1	-	1
Cash flow hedging	-	-	-	-	(347)	-	(347)
AS OF DECEMBER 31, 2011	31,695,882	72,523	426,040	(313,029)	(492)	(43,626)	141,416
Payments in shares	-	-	437	-	-	-	437
Issuance of shares	87,058	200	526	-	-	-	726
Net loss appropriation 2011	-	-	-	(43,626)	-	43,626	-
Net loss for the period	-	-	-	-	-	(21,760)	(21,760)
Foreign exchange gains or losses	-	-	-	-	24	-	24
Cash flow hedging	-	-	-	-	(126)	-	(126)
Comprehensive income	-	-	-	-	(102)	(21,760)	(21,862)
AS OF JUNE 30, 2012	31,782,940	72,723	427,003	(356,655)	(594)	(21,760)	120,717