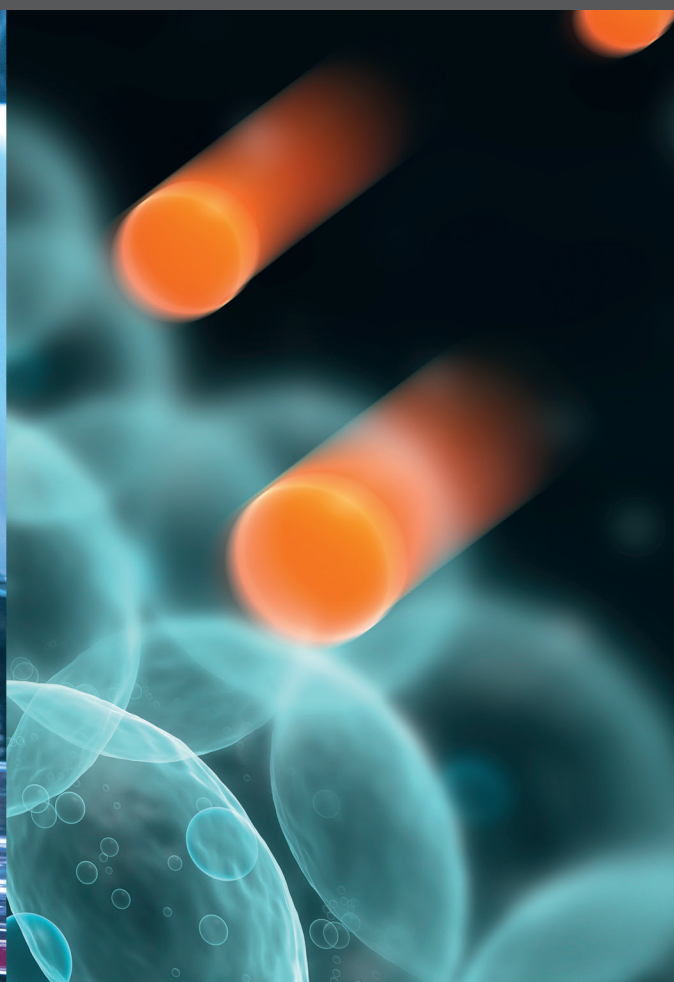
transgene

INTERIM FINANCIAL REPORT

AT JUNE 30, 2020



1.

2020 INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET, IFRS (in € thousands)

ASSETS	NOTE	JUNE 30, 2020	DEC. 31, 2019
CURRENT ASSETS			
Cash and cash equivalents	2	7,174	1,343
Other current financial assets	2	26,027	42,028
Cash, cash equivalents and other current financial assets	**2**	**33,201**	**43,371**
Trade receivables	3	1,122	2,324
Other current assets	4	3,299	3,943
Assets available for sale	5	19,771	-
TOTAL CURRENT ASSETS		**57,393**	**49,638**
NON-CURRENT ASSETS			
Property, plant and equipment	6	13,683	13,283
Intangible assets	7	141	147
Non-current financial assets	8	34,541	42,931
Investments in associates		-	-
Other non-current assets	9	4,010	9,478
TOTAL NON-CURRENT ASSETS		**52,375**	**65,839**
TOTAL ASSETS		**109,768**	**115,477**

LIABILITIES AND EQUITY	NOTE	JUNE 30, 2020	DEC. 31, 2019
CURRENT LIABILITIES			
Trade payables		5,120	7,092
Current financial liabilities	10.1	11,615	2,037
Provisions for risks and charges	11	568	898
Other current liabilities	12	6,289	8,619
TOTAL CURRENT LIABILITIES		**23,592**	**18,646**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	10.2	17,344	26,703
Employee benefits	13	4,503	4,427
Other non-current liabilities	12	15	4
TOTAL NON-CURRENT LIABILITIES		**21,862**	**31,134**
TOTAL LIABILITIES		**45,454**	**49,780**
EQUITY			
Share capital	14.1	41,921	83,265
Share premiums and reserves		39,962	39,738
Retained earnings		(14,327)	(37,444)
Profit/(loss) for the period		(2,214)	(18,804)
Other comprehensive income/(loss)		(1,028)	(1,058)
TOTAL EQUITY ATTRIBUTABLE TO COMPANY SHAREHOLDERS		**64,314**	**65,697**
TOTAL EQUITY AND LIABILITIES		**109,768**	**115,477**

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

	NOTE	JUNE 30, 2020	JUNE 30, 2019
Revenue from collaborative and licensing agreements	15.1	2,255	1,463
Public funding for research expenses	15.2	2,975	3,132
Other income	15.3	501	314
OPERATING INCOME		**5,731**	**4,909**
Research and development expenses	16.1	(13,831)	(14,668)
General and administrative expenses	16.2	(3,297)	(3,572)
Other expenses	16.3	-	(141)
OPERATING EXPENSES		**(17,128)**	**(18,381)**
OPERATING INCOME/(LOSS)		**(11,397)**	**(13,472)**
Financial income/(loss)	17	9,183	(1,870)
Share of profit/(loss) and disposal of investments in associates		-	-
INCOME/(LOSS) BEFORE TAX		**(2,214)**	**(15,342)**
Income tax expense	18.1	-	-
NET INCOME/(LOSS)		**(2,214)**	**(15,342)**
Basic loss per share (€)	14.2	(0.03)	(0.25)
Diluted loss per share (€)	14.2	(0.03)	(0;25)

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

	JUNE 30, 2020	JUNE 30, 2019
NET INCOME/(LOSS)	**(2,214)**	**(15,342)**
Foreign exchange gains/(losses)	(5)	1
Revaluation of hedging instruments	35	24
OTHER ELEMENTS OF COMPREHENSIVE INCOME/ (LOSS) SUBSEQUENTLY RESTATED AS INCOME	**30**	**25**
NET COMPREHENSIVE INCOME/(LOSS)	**(2,184)**	**(15,317)**
Of which, attributable to parent company	(2,184)	(15,317)
Of which, non-controlling interests	-	-

CASH FLOW STATEMENT, IFRS (in € thousands)

	NOTE	JUNE 30, 2020	JUNE 30, 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Net income/(loss)		(2,214)	(15,342)
Cancellation of financial income/(loss)		(9,183)	1,870
ELIMINATION OF NON-CASH ITEMS			
Income of associates		-	-
Provisions		828	70
Depreciation and amortization	6.7	869	(72)
Share-based payments	14.4	828	290
Others		(1,070)	51
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL AND OTHER OPERATING CASH FLOW		**(9,942)**	**(13,133)**
CHANGE IN OPERATING WORKING CAPITAL REQUIREMENTS			
Current receivables and prepaid expenses		738	(673)
Inventories and work in progress		-	25
Research tax credit (RTC)	15.2	(2,967)	(3,110)
Other current assets	4	734	2
Trade payables		(1,966)	939
Prepaid income	12.15	(1,768)	8,059
Other current liabilities	12	(549)	419
NET CASH USED IN OPERATING ACTIVITIES		**(15,720)**	**(7,472)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Acquisitions)/disposals of property, plant and equipment	6	(520)	(210)
(Acquisitions)/disposals of intangible assets	7	(16)	(24)
Other (acquisitions)/disposals	8	321	1,106
NET CASH USED IN INVESTING ACTIVITIES		**(215)**	**872**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net financial income/(loss) proceeds	17	(194)	(205)
Conditional subsidies	10.2	655	-
(Acquisition)/disposal of other financial assets	2	16,000	13,934
Net amounts received for financing of tax credits	9	6,288	5,500
Bank borrowing	10	(971)	(2,250)
Financial leases and change in lease obligations	10	(7)	(556)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**21,771**	**16,423**
Exchange rate differences on cash and cash equivalents		(5)	1
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,831**	**9,824**
Cash and cash equivalents at beginning of period		1,343	1,885
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**7,174**	**11,709**
Investments in other current financial assets		26,027	1,081
CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS		**33,201**	**12,790**

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

	COMMON SHARES		SHARE PREMIUMS	RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME /(LOSS)	NET INCOME /(LOSS)	TOTAL ATTRIBUTABLE TO SHAREHOLDERS' BUSINESS ACTIVITY
	NUMBER OF SHARES	SHARE CAPITAL						
AS OF DECEMBER 31, 2019	**83,265,464**	**83,265**	**37,712**	**2,026**	**(37,444)**	**(1,058)**	**(18,804)**	**65,697**
Increase of share capital	-	-	-	-	-	-	-	-
Share-based payments	575,870	576	888	(636)	-	-	-	828
Share capital reduction	-	(41,921)	-	-	41,921	-	-	-
Liquidity contract	-	-	-	(28)	-	-	-	(28)
Net income/(loss)	-	-	-	-		-	(2,214)	(2,214)
2019 income/(loss)	-	-	-	-	(18,804)	-	18 804	-
Foreign exchange gains/ (losses)	-	-	-	-	-	(5)	-	(5)
Interest rate swap	-	-	-	-	-	35	-	35
Net comprehensive income/ (loss)	-	-	-	-	-	30	(2,214)	(2,184)
AS OF JUNE 30, 2020	**83 841 334**	**41 921**	**38 600**	**1 362**	**(14 327)**	**(1 028)**	**(2 214)**	**64 314**

	COMMON SHARES		SHARE PREMIUMS	RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME /(LOSS)	NET INCOME /(LOSS)	TOTAL ATTRIBUTABLE TO SHAREHOLDERS' BUSINESS
	NUMBER OF SHARES	SHARE CAPITAL						
AS OF DECEMBER 31, 2018	**62,275,923**	**62,276**	**512,035**	**546**	**(545,473)**	**(714)**	**8,029**	**36,699**
Increase of share capital	-	-	-	-	-	-	-	-
Share-based payments	173,175	173	(114)	231	-	-	-	290
Allocation of share premium	-	-	(500,000)	-	500,000	-	-	-
Liquidity contract	-	-	-	(24)	-	-	-	(24)
Allocation of net income/ (loss) 2018	-	-	-	-	8,029	-	(8,029)	-
Net income/(loss)	-	-	-	-	-	-	(15,342)	(15,342)
Foreign exchange gains/ (losses)	-	-	-	-	-	1	-	1
Interest rate swap	-	-	-	-	-	24	-	24
Net comprehensive income/ (loss)	-	-	-	-	-	25	(15,342)	(15,317)
AS OF JUNE 30, 2019	**62,449,098**	**62,449**	**11,921**	**753**	**(37,444)**	**(689)**	**(15,342)**	**21,648**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOREWORD

The consolidated financial statements of Transgene (the "Company") at June 30, 2020, were prepared in accordance with the principles and methods defined by IFRS (International Financial Reporting Standard) as adopted by the European Union. The condensed interim consolidated financial statements were approved by the Board of Directors on September 16, 2020.

The interim financial statements include:

- 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 BASIS

The Company's interim consolidated financial statements for the six months ended June 30, 2020, were prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union. As interim 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 year ended December 31, 2019, presented in the Universal Registration Document submitted to the Autorité des Marchés Financiers (AMF) on April 2, 2020.

The accounting principles used to prepare the consolidated financial statements are in accordance with IFRS standards and interpretations as adopted by the European Union as of June 30, 2020, and are available on the website https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_fr. The Company has not applied the published accounting principles, interpretations and amendments that are not yet in force.

NEW STANDARDS/AMENDMENTS APPLICABLE FOR FISCAL YEARS STARTING ON OR AFTER JANUARY 1, 2020, IN EUROPE:

STANDARD/INTERPRETATION	DATE OF APPLICATION PER IASB (periods beginning on or after)	DATE OF EU APPLICATION (no later than periods beginning on or after)
Amendments to IAS 1 and 8: Materiality threshold	01/01/2020	01/01/2020
Reform of benchmark interest rates (IBOR): amendments to IFRS 7 and 9 and IAS 39	01/01/2020	01/01/2020
Amendments to IFRS 3: Definition of an activity	01/01/2020	01/01/2020
Changes to references to Conceptual Framework in IFRS	01/01/2021	ND

There are no significant standards, amendments and interpretations adopted or not yet adopted by the European Union whose early application would have been possible. They will enter into force after June 30, 2020. The amendment to IFRS 16 respecting lease concessions is not applicable in advance as of June 30, 2020, although it has been published by the IASB, as it is in the process of being adopted by the European Union. In the absence of concessions on leases obtained in the first half of 2020, the application of this amendment would have no impact.

In addition, the amendments to IAS 1, IAS 37, IAS 16 and IFRS 3, and the 2018-2020 annual improvements cycle adopted by the IASB enter into force for fiscal years beginning on January 1, 2022, and the process of adoption by the European Union has for the most part not yet begun.

There are no standards, amendments and interpretations published by the IASB whose application is mandatory for fiscal years beginning on or after January 1, 2020, that have not yet been approved at the European level (and whose early application is not possible at the European level) that would have a significant impact on the financial statements for this six-month period.

1.1 ■ BASIS OF PREPARATION OF FINANCIAL STATEMENTS

To prepare financial statements in accordance with IFRS, Transgene's management made estimates and assumptions, particularly with respect to non-consolidated equity securities without significant influence in Tasly BioPharmaceuticals, ElsaLys Biotech SA and Vaxxel SAS, the earnouts payable by SillaJen, the valuation of reimbursable advances on ADNA and NEOVIVA and on the collaboration agreement signed with AstraZeneca, 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.

1.2 ■ BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Transgene, as well as Transgene, Inc. and Transgene Biopharmaceutical Technology (Shanghai) Co. Ltd. ("Transgene Shanghai"), wholly owned subsidiaries whose headquarters are located respectively in Boston, Massachusetts (United States) and Shanghai (China). The Chinese subsidiary was founded in February 2020.

1.3 ■ PRESENTATION OF THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement is presented by function: research and development expenses and general and administrative expenses (notes 15 to 17).

1.4 ■ COVID-19

The first half of 2020 was marked by the Covid-19 pandemic and containment measures in France and internationally. Against this backdrop, Transgene quickly put in place measures to ensure the safety of its employees while maintaining business continuity as much as possible.

Activity in laboratories and in production was maintained for most of the period, allowing strategic research projects to progress and the pilot manufacturing unit to operate. Remote work and the implementation of virtual meeting tools made it possible to continue almost all activities and maintain Transgene's visibility, especially at scientific congresses.

Clinical trials continued, with the exception of a Phase 1 trial of TG6002 that was taking place at a clinical center in Leeds (UK), for which inclusions have been suspended in response to the Covid-19 pandemic. Inclusions have resumed in September. As for the other trials, the pace of patient inclusion has been maintained overall even though there have been and continue to be significant variations across months, countries, clinical centers and clinical trials. In addition, Transgene uses academic centers of excellence to perform some translational analyses of clinical trial data. As a result, the completion of several analyses was postponed due to the participation of these centers in research against Covid-19. Similarly, the time required for the review of clinical trial protocols by health authorities and the various committees is being extended. A delay in the launch of the next clinical trials and the opening of new clinical centers for ongoing trials is conceivable, albeit difficult to quantify.

As of the date of this report, the Company cannot measure the extent, duration or total impact that the Covid-19 pandemic will have on its operations. The impact of the Covid-19 pandemic on the Company's future financial results will depend on future developments, including the duration and spread of the Covid-19 pandemic and related government notices and restrictions. These developments and the impact of Covid-19 on the financial markets and the economy in general are also highly uncertain and the Company could be adversely affected in its operations or its access to financing as a result of any recession or economic depression that has occurred or may occur in the future.

NOTE 2 CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

IN € THOUSANDS	JUNE 30, 2020	DEC. 31, 2019
Cash	7,166	1,335
Cash equivalents	8	8
CASH AND CASH EQUIVALENTS	**7,174**	**1,343**
OTHER CURRENT FINANCIAL ASSETS	**26,027**	**42,028**
TOTAL CASH AND CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS	**33,201**	**43,371**
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, 2020	DEC. 31, 2019
Total gross	1,122	3,451
Provisions for impairment	-	(1,127)
TOTAL NET TRADE RECEIVABLES	**1,122**	**2,324**

The main trade receivable (€446 thousand) is related to AstraZeneca.

The ElsaLys Biotech SA receivable, which was fully provisioned in the financial statements at December 31, 2019 (and corresponded mainly to a receivable of €1 million for the sale of the TG3003 product, for which the Company has since recovered the rights), has been reclassified in *Other current assets* (€251 thousand) and *Other non-current assets* (€289 thousand). During the first half of 2020, Transgene and all shareholders of ElsaLys Biotech SA reached an agreement on the acquisition of the ElsaLys Biotech SA by the Italian company Mediolanum Farmaceutici.

The deed of sale of ElsaLys Biotech SA shares to Mediolanum Farmaceutici states that the Company will recover €599 thousand excluding tax, of which €500 thousand will be recovered over a period of 36 months, without interest, in 12 quarterly installments, and the Company has waived 50% of its claim for the TG3003 product (€500 thousand). In return, the Company will receive compensation from former shareholders related to this debt waiver in the amount of €457 thousand, 75% of this amount being paid immediately and 25% payable until 2025. The latter amount has thus been discounted to that date.

All impacts of this transaction on the income statement were recognized as *Financial income/(loss)* (note 17).

NOTE 4 OTHER CURRENT ASSETS

IN € THOUSANDS	JUNE 30, 2020	DEC. 31, 2019
Research tax credits, current portion	133	119
State – recoverable VAT and tax receivables	243	1,085
Accrued credit notes	3	223
Advance on order	8	-
Employee benefits expense	23	35
Grant receivable	36	61
Prepaid expenses, current portion	2,558	2,420
Other current receivables	295	-
TOTAL OTHER CURRENT ASSETS	**3,299**	**3,943**

Current prepaid expenses are primarily related to manufacturing contracts with 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.

Other current receivables correspond mainly to the amount that Transgene will receive from the former shareholders of ElsaLys Biotech SA (€251 thousand) following the agreements related to the sale of the Company's shares.

NOTE 5 ASSETS AVAILABLE FOR SALE

In July 2020, Transgene signed an agreement with a Chinese investment fund for the sale of 10,285,715 shares held in Tasly Biophamaceuticals at a price of US$2.15 per share. This transaction represents the sale of 38% of the shares held by Transgene as of June 30, 2020. As a result, the Company received US$22.2 million on July 31, 2020. Since this transaction was launched during the first half of 2020 and the terms were at a very advanced stage as of June 30, 2020, the net value of the securities sold was reclassified under *Assets available for sale* in the balance sheet as of June 30, 2020, at the transaction price.

The remaining shares were still recorded as *Non-consolidated equity securities without significant influence*, given that:

- the Company does not intend to dispose of them in the near term, due to the Tasly Biophamaceuticals IPO process; and
- those shares could not be sold during a holding period of one year after the initial public offering.

All of the shares were therefore revalued as of June 30, 2020, at the price per share recorded for shares sold in July 2020, generating financial income of €11,266 thousand over the period (note 17).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

IN € THOUSANDS	12/31/2019	Increase	Decrease	06/30/2020
GROSS CARRYING VALUE				
Land	1,771	-	-	1,771
Buildings and fixtures	16,385	104	-	16,489
Right of use	205	-	-	205
Laboratory equipment	10,856	846	(18)	11,684
Office and computer equipment	1,655	23	(1)	1,677
Assets in progress	793	488	(214)	1,067
TOTAL GROSS CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT	**31,665**	**1,461**	**(233)**	**32,893**
DEPRECIATION, AMORTIZATION AND IMPAIRMENT				
Buildings and fixtures	(9,734)	(385)	-	(10,119)
Right of use	(55)	(34)	-	(89)
Laboratory equipment	(7,088)	(399)	18	(7,469)
Office and computer equipment	(1,505)	(29)	1	(1,533)
TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	**(18,382)**	**(847)**	**19**	**(19,210)**
NET BOOK VALUE OF PROPERTY, PLANT AND EQUIPMENT	**13,283**	**614**	**(214)**	**13,683**

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

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Research and development expenses	824	867
General and administrative expenses	23	25
TOTAL DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT	**847**	**892**

NOTE 7 INTANGIBLE ASSETS

IN € THOUSANDS	12/31/2019	Increase	Decrease	06/30/2020
GROSS CARRYING VALUE				
Intangible assets	4,277	1	-	4,278
Intangible assets in progress	-	15	-	15
TOTAL GROSS CARRYING VALUE OF INTANGIBLE ASSETS	**4,277**	**16**	**-**	**4,293**
DEPRECIATION, AMORTIZATION AND IMPAIRMENT				
Intangible assets	(4,130)	(22)	-	(4,152)
TOTAL AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS	**(4,130)**	**(22)**	**-**	**(4,152)**
NET BOOK VALUE	**147**	**(6)**	**-**	**141**

The amortization expense for the intangible assets reported in Transgene's income statement is as follows:

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Research and development expenses	10	35
General and administrative expenses	6	5
TOTAL AMORTIZATION OF INTANGIBLE ASSETS	**16**	**40**

NOTE 8 NON-CURRENT FINANCIAL ASSETS

IN € THOUSANDS	12/31/2019	Acquisition	Change in fair value through the income statement	Disposal/ Reclassification	06/30/2020
NET BOOK VALUE					
Non-consolidated equity securities without significant influence:	**41,458**	**118**	**11,575**	**(20,080)**	**33,071**
■ Tasly BioPharmaceuticals	41,458	-	11,266	(19,771)	32,953
■ Vaxxel SAS	-	118	-	-	118
■ ElsaLys Biotech SA	-	-	309	(309)	-
■ Dynamis Therapeutics Inc	-	-	-	-	-
Other financial assets	1,473	367	-	(370)	1,470
TOTAL NON-CURRENT FINANCIAL ASSETS	**42,931**	**485**	**11,575**	**(20 ,450)**	**34,541**

The increase in non-consolidated equity securities without significant influence corresponds to:

- the revaluation of Tasly BioPharmaceuticals shares following the sale of a portion of the shares on July 13, 2020. Thirty-eight percent of the shares were sold at a price higher than the acquisition price, resulting in an increase of €11,266 thousand in the value of the shares held as of June 30, 2020. The sale price was applied to all shares held, and that price is considered to be a market price;
- the acquisition of a stake in Vaxxel SAS for €118 thousand, in return for the transfer of rights to the DuckCelt®-T17 cell line. As of June 30, 2020, the Company has not revalued these shares, as the transaction price is considered a market price. The Company could also receive earnouts of up to 4 million euros. As of June 30, 2020, the realization of the earnouts is considered uncertain and distant.

The decrease in unconsolidated equity securities without significant influence is related to the presentation of the Tasly BioPharmaceuticals shares sold in July 2020 as *Assets available for sale* in the balance sheet as of June 30, 2020 (note 5).

In April 2020, the Company sold all of its shares in ElsaLys Biotech SA, of which it held 8.25% as of December 31, 2019. The fair value of its shares as of December 31, 2019, was zero. Transgene's shares were sold for €309 thousand of which €278 thousand were received as of June 30, 2020. The remaining €31 thousand will be paid in 2024. All impacts of this transaction were recognized as *Financial income/(loss)* (note 17).

The increase in other financial assets in the first half of 2020 was primarily due to the holdback with respect to the use of the 2019 research tax credit in the amount of €331 thousand.

The decrease in other financial assets relates mainly to repayment of the holdback to guarantee the bank financing of the 2016 research tax credit in the amount of €315 thousand.

NOTE 9 OTHER NON-CURRENT ASSETS

IN € THOUSANDS	JUNE 30, 2020	DEC. 31, 2019
RTC, non-current portion	2,967	6,619
Tax credit for Competitiveness and Employment (CICE), non-current portion	109	242
Other receivables, non-current portion	663	298
Prepaid expenses, non-current portion	271	323
Receivables from the sale of participating interests, non-current portion	-	1,996
TOTAL OTHER NON-CURRENT ASSETS	**4,010**	**9,478**

■ RESEARCH TAX CREDITS (RTC) AND TAX CREDIT FOR COMPETITIVENESS AND EMPLOYMENT (CICE)

The Company has a receivable of €2,967 thousand on the 2020 RTC.

In June 2020, the Company signed an agreement to sell a research tax credit to a banking institution. The Company thereby received €6,288 thousand for the 2019 RTC (representing 95% financing) and no longer has a credit with the French government. This financing contract is classified as deconsolidating, and no debt is recognized for the financing received.

The 2017 and 2018 CICE totaled €242 thousand.

The remaining receivables can be used to offset income tax payments. In the event of non-use, a refund in cash can be requested according to the following schedule, in accordance with the tax rules in force (in € thousands).

REFERENCE YEAR	YEAR OF EXPECTED REIMBURSEMENT	JUNE 30, 2020	DEC. 31, 2019
RESEARCH TAX CREDIT (RTC), NON-CURRENT PORTION			
2019	2023	-	6,619
June 2020	2024	2,967	-
TOTAL NON-CURRENT PORTION		**2,967**	**6,619**
TOTAL RTC		**2,967**	**6,619**
CICE - CURRENT PORTION			
2016	2020	-	120
2017	2021	133	-
TOTAL CURRENT PORTION		**133**	**120**
CICE - NON-CURRENT PORTION			
2017	2021	-	133
2018	2022	109	109
TOTAL NON-CURRENT PORTION		**109**	**242**
TOTAL CICE		**242**	**362**

RECEIVABLES FROM THE SALE OF PARTICIPATING INTERESTS

In 2014, the Company sold the equity securities that it held in Jennerex, Inc. to SillaJen. This sale resulted in a selling price composed of a fixed part payable upon the signature of the sale and a variable part consisting of future milestones based on events related to the product development progress and subject to conditions, considered as a financial asset measured at amortized cost and revalued annually according to variations in the expected flows.

As at June 30, 2020, receivable from the sale of participating interests was valued at €2,077 thousand. This receivable has been measured taking into account the best possible estimate of the dates of payment milestones in the years to 2024.

These future cash flows were discounted and their probability was calculated. The discounted cash flow rate is calculated on the basis of the weighted average cost of capital (WACC), which is itself based on a so-called market-comparable approach. WACC was 14%. The discounted cash flow rate of milestones reached is calculated on the benchmark rate of the financing granted to the Company of 7.5%. The change in fair value at each balance sheet date is recorded in Financial income/(loss).

An upward change of 1 point in the WACC would have practically no effect. Only one milestone remains measured with this rate and is evaluated as 10% accomplished. A 1% increase in the Company's benchmark financing rate would have a negative impact of about 1% on the value of the receivable. A 10% decrease in the probability used for the occurrence of future payments would have a negative impact of approximately 3% on the value of the receivable. Since these milestones are payable in American dollars, the valuation of the debt is directly impacted by any change in the euro/dollar exchange rate.

In the absence of payment by SillaJen of the earnout due since 2017, Fortis, which represents the former shareholders of Jennerex Inc., decided to institute legal proceedings in Delaware, USA, in September 2018. The Company believes that a resolution of the dispute can be expected in late 2021.

In the second quarter of 2020, the South Korean stock market authorities decided to suspend the listing of SillaJen's shares due to judicial investigations into the company's managers, with a risk of delisting. A decision is expected in the near future concerning possible delisting or the lifting of the suspension.

Due to the criminal and legal risks for SillaJen and its weak cash position, the Company has decided to make a 100% provision over the first half of 2020 for expected earnout payments of €2,077 thousand, given the significant risk that SillaJen will be unable to pay the amounts that it would be ordered to pay due to the litigation with Transgene.

In the deed of sale of ElsaLys Biotech SA shares, earnouts relating to future income from patent licenses and from a product for which the rights are held by ElsaLys Biotech SA were agreed upon. As of June 30, 2020, the Company has not revalued these shares, as the realization and valuation of these earnouts are uncertain.

Other receivables correspond mainly to the amount that Transgene will receive (€289 thousand) from the former shareholders of ElsaLys Biotech SA following the agreements related to the sale of ElsaLys Biotech SA shares.

NOTE 10 FINANCIAL LIABILITIES

The following table breaks down financial liabilities by maturity:

IN € THOUSANDS	JUNE 30, 2020	DEC. 31, 2019
Financial liabilities, current portion	11,615	2,037
Financial liabilities, non-current portion	17,344	26,703
TOTAL FINANCIAL LIABILITIES	**28,959**	**28,740**

As of June 30, 2020, the main financial liabilities relate to the bank loan from the EIB of €10 million, the property financial lease (headquarters and main research and development laboratories) and conditional Bpifrance advances under the ADNA and NEOVIVA subsidy programs.

10.1 FINANCIAL LIABILITIES, CURRENT PORTION

IN € THOUSANDS	JUNE 30, 2020	DEC. 31, 2019
Property leasing	1,024	1,154
Equipment leasing	314	167
Lease obligation	73	73
Financing of CICE	118	134
Bank loans	10,086	509
TOTAL FINANCIAL LIABILITIES, CURRENT PORTION	**11,615**	**2,037**

EUROPEAN INVESTMENT BANK (EIB) LOAN

In 2016, the Company obtained a €20 million credit facility from the EIB as part of the Infectious Diseases Finance Facility (IDFF) program, of which only the first tranche of €10 million was drawn down on June 20, 2016. The second tranche, exercisable until December 31, 2017, had not been drawn down.

This principal is repayable in full in a single bullet payment at the end of a five-year term, i.e. on June 20, 2021. It was placed in Current financial liabilities in the first half of 2020. The interest due is not capitalized. The interest accumulated since June 2019 was paid in the first half of 2020 in the amount of €850 thousand. Interest accrued was recorded as *Current financial liabilities*.

10.2 FINANCIAL LIABILITIES, NON-CURRENT PORTION

IN € THOUSANDS	JUNE 30, 2020	DEC. 31, 2019
Property leasing	3,499	3,940
Equipment leasing	822	376
Lease obligation	50	78
Interest rate swaps – fair value (note 24)	147	181
Conditional advances	12,712	11,896
Financing of CICE	114	232
Bank loan	-	10,000
TOTAL FINANCIAL LIABILITIES, NON-CURRENT PORTION	**17,344**	**26,703**

EQUIPMENT LEASING

In 2018 Transgene signed a financial lease on an isolator for the gross amount of €836 thousand, payable over 5 years. At June 30, 2020, €460 thousand remained payable over 3 years (of which €168 thousand was due short-term).

In the first half of 2020, the Company financed a second isolator for the gross amount of €732 thousand, payable over five years. At June 30, 2020, €676 thousand remained payable over 5 years (of which €146 thousand was due short-term).

LEASE OBLIGATION

The lease obligation of €123 thousand (of which €73 thousand is due in the short term) reflects the leasing of office and laboratory space in Lyon pursuant to IFRS 16, whereby the right of use is debited to property, plant and equipment.

CONDITIONAL ADVANCES

ADNA

At June 30, 2020, conditional advances referred to reimbursable advances received under the ADNA ("Advanced Diagnostics for New Therapeutic Approaches") program, which receives public funding from Bpifrance for the development of the TG4010 and TG4001 products. This program ended on December 31, 2016. Transgene received a total of €15,942 thousand of reimbursable advances under this program.

As at June 30, 2020, the liability consisting of reimbursable advances in the Company's balance sheet amounts to €12,180 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 a revenue threshold on TG4010 and TG4001 products predetermined for the following five years, and in proportion to the revenue from these products until a reimbursement ceiling is reached, or up until 2035. The expected discounted future reimbursements are thus estimated on the basis of an evaluation of future direct and indirect revenue associated with the TG4001 product being developed. The development of TG4010 was stopped in 2019.

The remaining assumptions used by Management in the measurement of the liability from reimbursable advances primarily concern:

- the schedule for the development and marketing of 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, 2020, the assumptions used by Management have not changed compared to December 31, 2019, as the clinical development of TG4001 continues given the encouraging results observed. Due to the ongoing analysis of the new clinical development plan for TG4001, which was not approved at the closing date, the Company is not in a position to consider specific new assumptions as of June 30, 2020, and is of the opinion that those made on December 31, 2019, are still consistent.

The change as at June 30, 2020, was due solely to the present discounting of future cash flows.

NEOVIVA

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

In the first half of the year, the Company received €655 thousand (€237 thousand in 2019). Based on the Company's financing rate, the fair value of this debt as of June 30, 2020, was estimated at €532 thousand.

NATIXIS CREDIT FACILITY

In April 2019 the Company signed a revolving credit agreement with Natixis, capped at €20 million, which can be drawn down once or on several occasions..

As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This loan agreement runs until June 2022 and, as is typical of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest.

At June 30, 2020, the Company had not drawn down on this credit facility. The fees on undrawn amounts were recognized in *Current financial liabilities*, in the amount of €60 thousand.

NOTE 11 PROVISIONS FOR RISKS AND CHARGES

IN € THOUSANDS	DEC. 31, 2019	PROVISIONS	RETAINED EARNINGS	REVERSALS NOT APPLICABLE	USE OF THE PROVISION	JUNE 30, 2020
Provisions for risks	6	-	-	(1)	-	5
Provisions for charges	892	-	-	-	(329)	563
TOTAL PROVISIONS FOR RISKS AND CHARGES	**898**	**-**	**-**	**(1)**	**(329)**	**568**

As of December 31, 2019, the provision for charges corresponded 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, €329 thousand was used in the first half of 2020.

NOTE 12 OTHER LIABILITIES

OTHER CURRENT LIABILITIES

IN € THOUSANDS	JUNE 30, 2020	DEC. 31, 2019
Tax and social liabilities	3,098	3,664
Of which:	3,169	4,949
• *Revenue from collaboration and licensing*	*3,154*	*4,923*
• *Research and development grants*	-	-
• *Other*	*15*	*26*
Other short-term payables	22	6
TOTAL OTHER CURRENT LIABILITIES	**6,289**	**8,619**

Prepaid income primarily refers to the staggered recognition of the US$10 million payment at signing from the collaboration agreement with AstraZeneca signed in April 2019. As of June 30, 2020, €3,154 thousand of prepaid income was still to be recognized.

OTHER NON-CURRENT LIABILITIES

IN € THOUSANDS	JUNE 30, 2020	DEC. 31, 2019
Prepaid income	15	4
• *Revenue from collaboration and licensing*	-	-
• *Research and development grants*	-	-
• *Other*	*15*	*4*
Other long-term payables	-	-
TOTAL	**15**	**4**

NOTE 13 EMPLOYEE BENEFITS

PROVISIONS FOR RETIREMENT BENEFIT OBLIGATIONS

In accordance with French law, Transgene participates in the funding 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.

Transgene is also liable for statutory length-of-service awards 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:

IN € THOUSANDS	JUNE 30, 2020	DEC. 31, 2019
Discount rate	0,80 %	0,80 %
Expected long-term inflation rate	1,75 %	1,75 %
Rate of future salary increases	1,50 %	1,50 %
Retirement age:		
• *managers:*	65 years	65 years
• *other grades:*	63 years	63 years
AMOUNT OF THE PROVISION	**4,503**	**4,427**

NOTE 14 EQUITY

14.1 SHARE CAPITAL

At June 30, 2020, the number of outstanding shares of Transgene was 83,841,334, representing share capital of €41,920,667.

In the first half of 2020, two definitive grants of free shares (200,750 and 375,120 new shares, respectively) were made.

The Shareholders' Meeting of May 27, 2020, approved a share capital reduction via a decrease in the nominal value of the shares from €1.00 to €0.50.

14.2 EARNINGS PER SHARE

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

	JUNE 30, 2020	JUNE 30, 2019
BASIC EARNINGS PER SHARE		
Available net profit (in € thousands)	(2 214)	(15 342)
Average number of shares outstanding	83,841,334	62,449,098
BASIC EARNINGS PER SHARE (IN €)	**(0,03)**	**(0,25)**
DILUTED EARNINGS PER SHARE (IN €)	**(0,03)**	**(0,25)**

In the first half of 2019 and 2020, 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). Therefore, diluted earnings per share for the first half of 2019 and of 2020 were identical to basic earnings per share.

14.3 STOCK OPTION PLANS

Transgene did not grant any new stock options during the first half of 2020. The number of options outstanding at December 31, 2019, amounted to 256,992, of which 256,992 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 2020, just as in the first half of 2019.

14.4 FREE SHARE PLANS

In the first half of 2020, 5,934 shares were granted to the head of the new Chinese subsidiary. The total number of free shares allocated and being acquired was 2,036,089 shares at December 31, 2019. As of June 30, 2020, following this new allocation, the definitive granting of two free share plans in March and April 2020, and write-offs related to performance and presence conditions, 1,389,884 bonus shares were in the process of being acquired.

The cost of services rendered is recognized as an expense over the vesting period. The expense was €828 thousand in the first half of 2020, excluding the URSSAF (social security) contribution, and €290 thousand in the first half of 2019.

NOTE 15 OPERATING INCOME

15.1 REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Revenue from research and development collaboration	2,262	1,414
License fees and royalties	(7)	49
TOTAL REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS	**2,255**	**1,463**

Research and development collaboration revenues amounted to €2,262 thousand in the first half of 2020, compared to €1,414 thousand in the first half of 2019. 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 revenue 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 revenue related to the initial payment primarily concern:

- the schedule for the development of candidates;
- the estimated costs of the salaries and consumables related to the development of the candidates.

Over the period, the income recognized under this collaboration agreement was €2,217 thousand. Of this amount €1,768 thousand reflect recognition of the initial payment for work done during the period. The €3,154 thousand balance not recognized at this time was recorded in Prepaid income at June 30, 2020 (see Note 12). The Company also received €449 thousand for achieving preclinical milestones.

15.2 GOVERNMENT FINANCING FOR RESEARCH EXPENDITURE

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Research and development grants	38	71
Research tax credit, net	2,937	3,061
TOTAL PUBLIC FUNDING FOR RESEARCH EXPENSES	**2,975**	**3,132**

The gross research tax credit, excluding advisory fees, for the first half of 2020 was €2,967 thousand.

15.3 OTHER INCOME

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Other income	501	314
TOTAL OTHER INCOME	**501**	**314**

In the first half of 2020, other income (€282 thousand) correspond to repayable NEOVIVA advances granted at a preferential rate. These advances have been restated in accordance with IAS 20, with the subsidy portion recognized in Other income.

NOTE 16 OPERATING EXPENSES

16.1 RESEARCH AND DEVELOPMENT EXPENSES

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Payroll costs	5,753	5,760
Share-based payments	528	191
Intellectual property expenses and licensing costs	490	505
External expenses for clinical projects	2,979	4,649
External expenses for other projects	1,093	813
Operating expenses	2,154	1,848
Depreciation, amortization and provisions	834	902
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	**13,831**	**14,668**

External expenses for clinical projects amounted to €2,979 thousand in the first half of 2020, compared to €4,649 thousand for the same period in 2019. This decrease is explained mainly by the reduction in subcontracted clinical batch production expenses in the first half of 2020 compared to the same period in 2019.

16.2 GENERAL AND ADMINISTRATIVE EXPENSES

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Payroll costs	1,704	1,522
Share-based payments	300	99
Fees and administrative expenses	957	1 563
Other general and administrative expenses	308	359
Depreciation, amortization and provisions	28	30
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**3,297**	**3,573**

Fees and administrative expenses amounted to €957 thousand in the first half of 2020 compared to €1,563 thousand over the same period in 2019, due in particular to the advisory fees related to collaboration and financing agreements paid in the first half of 2019.

16.3 OTHER EXPENSES

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Net carrying value of disposals of fixed assets	-	(46)
Other expenses	-	(95)
TOTAL OTHER EXPENSES	**-**	**(141)**

NOTE 17 FINANCIAL INCOME/(LOSS)

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Change in fair value of financial assets	11,266	-
Gains on disposal of assets	1,266	-
Foreign exchange gains	59	78
Other financial income	42	36
FINANCIAL INCOME	**12,633**	**114**
Change in fair value of financial assets	(1,996)	(383)
Foreign exchange losses	(51)	(239)
Interest on loans	(1,386)	(1,325)
Other financial costs	(17)	(35)
FINANCIAL EXPENSES	**(3,450)**	**(1,984)**
TOTAL FINANCIAL INCOME/(LOSS)	**9,183**	**(1,870)**

FINANCIAL INCOME

The upward change in the fair value of financial assets corresponds to the revaluation of Tasly BioPharmaceuticals shares for €11,266 thousand in the first half of 2020, following the disposal of a portion of the shares held in July 2020. The revaluation of the shares corresponds to the difference between the market price (sale price in July 2020) and the price at December 31, 2019 (note 8).

In the first half of 2020, Transgene and all shareholders of ElsaLys Biotech SA reached an agreement on the acquisition of ElsaLys Biotech SA by the Italian company Mediolanum Farmaceutici. The entire transaction was recognized as financial income/(loss) and generated income of €1,266 thousand:

- the equity securities held by Transgene were sold for €309 thousand. The fair value of the shares as at December 31, 2019, was zero;
- the agreement for the sale of the ElsaLys Biotech SA shares to Mediolanum Farmaceutici states that the Company will recover €599 thousand excluding tax, of which €500 thousand will be recovered over a period of 36 months, without interest, in 12 quarterly installments, and the Company has waived 50% of its claim for the TG3003 product (€500 thousand). In return, the former shareholders agreed to pay compensation related to this debt waiver in the amount of €457 thousand, 75% of this amount being paid immediately and 25% payable until 2025. The latter amount has thus been discounted to that date.

FINANCIAL EXPENSES

The downward change in the fair value of financial assets corresponds to the revaluation of the receivable for the sale of equity in SillaJen (expense of €1,996 thousand in the first half of 2020, compared to an expense of €168 thousand in the first half of 2019).

Interest on loans relates to:

- the discounting of the ADNA debt owed to Bpifrance (€443 thousand in the first half of 2020, compared to €769 thousand in the first half of 2019), with the decrease observed being related to the decrease in the repayable advance following the discontinuation of TG4010 at the end of 2019;
- accrued interest on the EIB loan (€431 thousand in the first half of 2020, compared to €378 thousand in the first half of 2019);
- bank interest related to the assignment of 2019 RTC receivables and the mobilization of RTC and CICE receivables (€273 thousand in the first half of 2020, compared to €45 thousand in the first half of 2019);
- bank interest related to the Natixis line of credit for €120 thousand in the first half of 2020, compared to €61 thousand in the first half of 2019.

NOTE 18 INCOME TAX EXPENSES

18.1 CURRENT TAXES

Since the Company is in a tax loss position, its current tax charge is zero. The US and Chinese subsidiaries did not recognize any current tax income or expense in 2019 and 2020.

18.2 DEFERRED TAXES

No deferred tax assets were recognized at June 30, 2020, due to the uncertainty of taxable income being generated over the next three years.

NOTE 19 PERSONNEL

19.1 WORKFORCE

The Company's registered workforce totaled 161 employees at June 30, 2020, including one person with Transgene, Inc. and one person with Transgene Shanghai.

AS OF JUNE 30, 2020	MEN	WOMEN	TOTAL
Managers	42	69	111
Other-grades	16	34	50
TOTAL WORKFORCE	**58**	**103**	**161***

** Including 139 open-ended employment contracts at June 30, 2020*

The Company had 160 employees as of December 31, 2019.

19.2 PAYROLL COSTS

Employee benefits expenses included in the Group's income statement (salaries, payroll taxes, pension costs and related expenses) were as follows:

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Research and development expenses	5,753	5,760
General and administrative expenses	1,704	1,522
TOTAL EMPLOYEE BENEFITS EXPENSES	**7,457**	**7,282**

Expenses relating to share-based payments amounted to:

IN € THOUSANDS	JUNE 30, 2020	JUNE 30, 2019
Research and development expenses	528	191
General and administrative expenses	300	99
TOTAL FREE SHARE PAYMENTS	**828**	**290**

NOTE 20 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 €26,027 thousand at June 30, 2020. Interest income at June 30, 2020, was €40 thousand.

The table below does not include these cash items.

JUNE 30, 2020 (IN € THOUSANDS)	RECEIVABLES	PAYABLES
ABL Europe SAS	20	194
ABL Lyon	-	-
bioMérieux, Inc.	-	78
bioMérieux SA	1	-
Institut Mérieux	-	-
Transgene Shanghai	-	-
TOTAL AFFILIATED COMPANIES	**21**	**272**

JUNE 30, 2020 (IN € THOUSANDS)	REVENUE	EXPENSES
ABL Europe SAS [1]	100	864
ABL Lyon	-	11
bioMérieux, Inc. [2]	-	320
bioMérieux SA	1	-
Institut Mérieux [3]	-	266
Transgene Shanghai [4]	-	78
TOTAL AFFILIATED COMPANIES	**101**	**1,539**

■ *(1) Expenses relate to the agreements for production services provided by ABL Europe to Transgene.* ■ *(2) Expenses related to the agreements for services and re-invoicing of staff, signed between Transgene, Inc. and BioMérieux, Inc.* ■ *(3) Expenses related to the agreements for services provided by Institut Mérieux.* ■ *(4) Expenses related to the agreements for services and re-invoicing of staff signed with Transgene Shanghai.*

NOTE 21 OFF-BALANCE SHEET COMMITMENTS

As part of the agreements with Tasly BioPharmaceuticals in July 2018, Transgene 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 is 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 manage their relations in the period preceding the IPO. In addition to the usual provisions such as a right of first refusal in case of assignment by a shareholder, Tasly Holding Group undertakes to buy the shares subscribed by Transgene in the event the IPO does not take place within three years (i.e. July 2021), or three years if the IPO filed is approved by the stock market authorities (i.e. July 2021), at the initial subscription price plus an annual contractual rate. On July 13, 2020, Transgene sold 10.3 million shares of Tasly BioPharmaceuticals, representing 38% of the shares held by Transgene. Following the transaction, Transgene holds 17.1 million shares of Tasly BioPharmaceuticals, representing 1.58% of its share capital, valued at approximately US$36.9 million. As a result of this transaction in particular, the shareholder agreement was amended in July 2020. This new agreement now states that the undertaking to repurchase Transgene shares by Tasly Holding Group will be triggered in the absence of an IPO on December 31, 2021.

In April 2019 the Company signed a revolving credit agreement with Natixis, capped at €20 million, which can be drawn down once or on several occasions.

As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This loan agreement runs until June 2022 and, as is typical of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest.

At June 30, 2020, the Company had not drawn down on this credit facility.

Under complex agreements (such as licenses, licensing options, the sale of ElsaLys Biotech SA or the sale of a cellular line to Vaxxel SAS), third parties have undertaken to make milestone or royalty payments to the Company that depend on future events whose occurrence is uncertain at the date of the financial statements. 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 balance sheet date.

Transgene is also bound by contracts with subcontractors. That could have an impact over several accounting periods. As of June 30, 2020, the Company estimated the current value of its financial commitments under these agreements to be approximately €22 million.

NOTE 22 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 23 BREAKDOWN OF ASSETS AND LIABILITIES BY MATURITY

JUNE 30, 2020 ASSETS (IN € THOUSANDS)	NET AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR
Financial fixed assets	1,470	503	967
Trade receivables	1,122	1,059	63
RTC, CICE	3,209	133	3,076
Government, VAT and other local authorities	243	243	-
Personnel and related accounts	23	23	-
Prepaid expenses	2,829	2,558	271
Grant receivable	36	36	-
Other receivables	922	259	663
Assets available for sale	19,771	19,711	-
TOTAL ASSETS BY MATURITY	**29,625**	**24,585**	**5,040**

JUNE 30, 2020 LIABILITIES (IN € THOUSANDS)	NET AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR AND UP TO 5 YEARS	MORE THAN FIVE YEARS
Trade payables	5,120	5,120	-	-
Property leasing	4,523	1,024	3,499	-
Equipment leasing	1,136	314	822	-
Lease obligation	123	73	50	-
Conditional advances	12,712	-	-	12,712
Financing of CICE	232	118	114	
Bank loan	10,087	10,087	-	-
Provisions for risks and charges	568	568	-	-
Provisions for retirement	4,503	402	2,198	1,903
Accrued employee benefits and tax expense	3,098	3,098	-	-
Prepaid income	3,199	3,184	15	-
Other liabilities	169	22	147	-
TOTAL LIABILITIES BY MATURITY	**45,470**	**24,010**	**6,845**	**14,615**

NOTE 24 HEDGING OPERATIONS

Since the first half of 2009, the Group 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, 2020, the market value of the hedging instrument was an unrealized loss of €147 thousand.

NOTE 25 FINANCIAL INSTRUMENTS

JUNE 30, 2020 (IN € THOUSANDS)	ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	ASSETS AVAILABLE FOR SALE	RECEIVABLES, PAYABLES, BORROWINGS, AT AMORTIZED COST	DERIVATIVE INSTRUMENTS	CARRYING AMOUNT	FAIR VALUE	LEVEL
FINANCIAL ASSETS							
Cash and cash equivalents	7,174	-	-	-	7,174	7,174	1
Other current financial assets	26,027	-	-	-	26,027	26,027	2
Trade receivables	-	-	1,122	-	1,122	1,122	-
Financial fixed assets	33,071	19,771	1,470	-	54,312	54,312	3
Other non-current assets	-	-	365	-	365	365	3
TOTAL FINANCIAL ASSETS	**66,272**	**19,771**	**2,957**	**-**	**89,000**	**89,000**	**-**
FINANCIAL LIABILITIES							
Borrowings from credit institutions, long-term portion	-	-	115	-	115	115	2
Lease commitment, long-term portion	-	-	4,321	-	4,321	4,321	2
Lease obligation, long-term portion	-	-	50	-	50	50	-
Conditional advances	-	-	12,712	-	12,712	12,712	3
Other non-current financial liabilities	-	-	-	147	147	147	2
NON-CURRENT FINANCIAL LIABILITIES	**-**	**-**	**17,198**	**147**	**17,345**	**17,345**	**-**
Borrowings from credit institutions, short-term portion	-	-	10,204	-	10,204	10,204	2
Finance leasing, short-term portion	-	-	1,337	-	1,337	1,337	2
Lease obligation, short-term portion	-	-	73	-	73	73	-
CURRENT FINANCIAL LIABILITIES	**-**	**-**	**11,614**	**-**	**11,614**	**11,614**	**-**
TRADE PAYABLES	**-**	**-**	**5,120**	**-**	**5,120**	**5,120**	**-**
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**33,932**	**147**	**34,079**	**34,079**	**-**

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 26 POST-CLOSING EVENTS

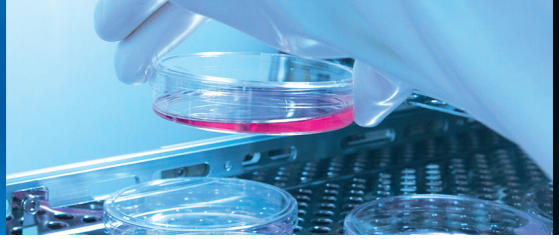
On August 4, 2020, Transgene announced the receipt of US$22.2 million (€19 million) following the sale to a Chinese investment fund of part of its minority stake in Tasly BioPharmaceuticals. This transaction involved 10.3 million shares of Tasly BioPharmaceuticals (38% of the shares held by Transgene). The transaction enhances the Company's cash position and strengthens its financial visibility until 2022.

Following this share sale, Transgene holds 17.1 million shares in Tasly BioPharmaceuticals, equivalent to 1.58% of the Chinese company's capital. Transgene's remaining shareholding in Tasly BioPharmaceuticals is valued at approximately US$36.9 million based on the price of the transaction. Expenses related to this transaction amounted to US$1.1 million.

At the end of August 2020, Tasly BioPharmaceuticals filed its IPO documentation with the Science and Technology Innovation Board (STIB) of the Shanghai Stock Exchange.

In September 2020, the Company and Natixis plan to sign an amendment to the revolving credit agreement bringing it to 15 million euros (note 10.2).

2.



HALF-YEAR MANAGEMENT REPORT

2.1 ■ KEY EVENTS IN THE FIRST HALF OF 2020

Several significant advances in clinical and preclinical projects have been made since the beginning of 2020, in an environment strongly disrupted by the Covid-19 pandemic.

■ TG4001 *(see July 22, 2020, press release)*

Transgene performed a pooled analysis of data from the Phase 1b/2 trial of TG4001 in combination with avelumab in patients with metastatic and/or recurrent HPV16-positive tumors. Clinical activity was observed in the overall trial population (34 evaluable patients).

In addition, Transgene has identified a selection criterion corresponding to patients showing particularly promising clinical activity in this trial. For more than 50% of these patients, the disease had not progressed at 12 weeks, compared to an expected median progression-free survival (PFS) of 8 weeks for this population with current treatment regimens.

Durable responses were observed in most responder patients. Transgene is currently completing translational analyses. This analysis confirmed the good tolerability of the combination of TG4001 with an immune checkpoint inhibitor. Patient follow-up is still ongoing. Complete data will be presented at an upcoming scientific conference.

Transgene has stopped the trial in its current design. The Company intends to continue the clinical development of TG4001 in a larger, controlled confirmatory study.

■ *MYVAC*® PLATEFORM

Transgene is developing the therapeutic vaccine TG4050, together with NEC. This is the first individualized vaccine based on the *myvac*® platform. It integrates NEC's Artificial Intelligence technologies.

The first clinical trials assessing TG4050 began in January 2020 in Europe and in the United States. They are including patients with ovarian cancers and head and neck cancers. NEC is financing 50% of their cost. The Company has set up an in-house good manufacturing practice (GMP) unit dedicated to the manufacturing of the individualized batches of TG4050 needed for the current Phase 1 trials. It is operational and complies with GMP standards.

Data validating the vaccine design principle behind TG4050 are being actively promoted and have been presented at the AACR congress (June 2020).

Transgene has partnered with Hypertrust Patient Data Care to implement the first dedicated block chain solution for personalized treatment clinical trials (July 2020). This cloud-based solution monitors and orchestrates all processes related to the design and manufacturing of Transgene's individualized therapeutic vaccine TG4050.

■ INVIR.IO™ PLATEFORM

BT-001 is the first oncolytic virus from the Invir.IO™ platform. A first-in-human trial is being prepared; the trial protocol was submitted to the French ANSM and to the Belgian health authorities. Promising preclinical results for BT-001 were presented at the AACR annual congress (June 2020).

The collaboration with AstraZeneca continues with the development of new innovative oncolytic viruses. AstraZeneca can exercise an option to further develop each of these novel drug candidates.

■ TG6002

A first patient was treated in February 2020 in the Phase 1 trial evaluating TG6002 administered via the intrahepatic artery (IAH) as a locoregional treatment for non-operable liver metastases of colorectal cancer. Patient inclusions in this trial have been temporarily suspended by the Leeds clinical center to allow the clinical center to cope with the Covid-19 pandemic and are expected to resume in September 2020.

Transgene announced first positive results from the Phase 1 clinical trial of TG6002 administered intravenously in patients with advanced gastrointestinal cancers. This is the first clinical study demonstrating that the Vaccinia Virus used in Transgene's Invir.IO™ platform is capable of reaching the tumor when administered intravenously.

The Independent Safety Review Committee recommended that the trial be continued and that the dose level be increased to a higher level (3x109 pfu) in the absence of dose-limiting toxicity of TG6002 at the 109 pfu dose. The first translational data show that TG6002, when administered intravenously, induces the production of 5-FU at therapeutic doses via the expression in tumor cells of the FCU1 gene integrated into the TG6002 genome.

OTHER SIGNIFICANT EVENTS

On April 9, 2020, Transgene sold its entire 8.25% holding in ElsaLys Biotech SA in a private operation.

In May 2020, Transgene announced the sale of its proprietary DuckCelt®-T17 cell line to Vaxxel SAS, a French biotech start up focused on respiratory vaccines. As a result of this transaction, Transgene has become a significant shareholder in Vaxxel SAS. Vaxxel SAS will use the DuckCelt®-T17 cell line to enable the production of prophylactic vaccines against respiratory viruses (Metapneumovirus and Respiratory Syncytial Virus).

2.2 FINANCIAL RESULTS

OPERATING INCOME

The table below breaks down revenue for the first half of 2020 compared to the same period in 2019:

IN MILLIONS OF EUROS	JUNE 30, 2020	JUNE 30, 2019
Revenue from collaborative and licensing agreements	2.2	1.5
Government financing for research expenditure	3.0	3.1
Other income	0.5	0.3
OPERATING INCOME	**5.7**	**4.9**

In 2019, the Company 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. This initial payment is recognized as revenues based on the stage of completion of the related activities. Over the period, the income recognized under this collaboration agreement was €2.2 million. Of this amount €1.8 million reflects recognition of the initial payment for work done during the period and €0.4 million for the achievement of preclinical milestones.

In the first half of 2020, public funding for research expenses mainly consisted of the research tax credit. It amounted to €2.9 million for the first half of 2020 compared to €3.1 million for the same period in 2019. The research tax credit for the first half of 2020 was calculated on the eligible expenses as of June 30, 2020.

Other income amounted to €0.5 million in the first half of 2020 (€0.3 million for the first half of 2019), of which €0.3 million corresponds to NEOVIVA repayable advances. This income was calculated as the difference between the present value of the advance at the market rate for Transgene and the amount received in cash from the public body over the first half of 2020. This difference corresponds to a government grant under IAS 20.

OPERATING EXPENSES

Research and development (R&D) expenses amounted to €13.8 million in the first half of 2020 compared to €14.7 million for the same period in 2019.
The following table details R&D expenses by type:

IN MILLIONS OF EUROS	JUNE 30, 2020	JUNE 30, 2019
Payroll costs	5.8	5.8
Share-based payments	0.5	0.2
Intellectual property expenses and licensing costs	0.5	0.5
External expenses for clinical projects	3.0	4.7
External expenses for other projects	1.0	0.8
Operating expenses	2.2	1.8
Depreciation, amortization and provisions	0.8	0.9
RESEARCH AND DEVELOPMENT EXPENSES	**13.8**	**14.7**

Employee benefits expenses for R&D personnel (salaries and related charges and expenses) amounted to €5.8 million in the first half of 2020, the same as for the corresponding period in 2019.

Intellectual property and licensing expenses amounted to €0.5 million, the same as for the first half of 2019.

External expenses for clinical projects amounted to €3.0 million in the first half of 2020, compared to €4.7 million for the same period in 2019. This decrease is explained mainly by the reduction in subcontracted clinical batch production expenses in the first half of 2020 compared to the same period in 2019.

External expenses for other projects (research, preclinical and industrial projects) totaled €1.0 million in the first half of 2020, versus €0.8 million for the same period in 2019.

Operating expenses, including costs to operate research laboratories, amounted to €2.2 million in the first half of 2020 compared to €1.8 million for the same period in 2019.

General and administrative expenses fell to €3.3 million in the first half of 2020 compared to €3.6 million for the same period in 2019.

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

IN MILLIONS OF EUROS	JUNE 30, 2020	JUNE 30, 2019
Payroll costs	1.7	1.5
Share-based payments	0.3	0.1
Fees and administrative expenses	1.0	1.6
Other fixed costs	0.3	0.4
Depreciation, amortization and provisions	0.0	0.0
GENERAL AND ADMINISTRATIVE EXPENSES	**3.3**	**3.6**

Payroll costs represented €1.7 million in the first half of 2020, compared to €1.5 million over the same period in 2019.

Fees and administrative expenses amounted to €1.0 million in the first half of 2020 compared to €1.6 million over the same period in 2019, due in particular to the advisory fees related to collaboration and financing agreements paid in the first half of 2019.

OTHER EXPENSES

Other expenses were almost zero in the first half of 2020, compared to €141 thousand for the same period in 2019.

FINANCIAL INCOME/(LOSS)

Net interest income amounted to a gain of €9.2 million in the first half of 2020 compared to an expense of €1.9 million for the same period in 2019.

Financial income amounted to €12.6 million in the first half of 2020, compared to €0.1 million in the first half of 2019, and consisted mainly of:

- the increase in the fair value of Tasly Biopharmaceuticals shares for €11.3 million, due to the partial sale of those shares in July 2020;
- the financial gain related to the sale of the ElsaLys Biotech SA shares for €1.3 million.

Financial expenses amounted to €3.4 million in the first half of 2020, compared to €2 million in the first half of 2019, and consisted mainly of:

- the discounting of the debt owed to Bpifrance on repayable advances under the ADNA program for €0.4 million, compared to €0.8 million in the first half of 2019;
- the decrease in the valuation of receivables from SillaJen for €2 million, compared to €0.2 million in the first half of 2019. Due to the risks weighing on SillaJen, the Company has decided to make a 100% provision of its receivable.
- bank interest on the EIB loan of €0.4 million (as was the case for the first half of 2019);
- other bank interest for €0.4 million, compared to €0.1 million in the first half of 2019.

NET INCOME/(LOSS)

The net comprehensive loss amounted to €2.2 million for the first half of 2020 compared to a loss of €15.3 million for the same period in 2019.

Net loss per share was €0.03 for the first half of 2020, compared to €0.25 for the same period in 2019.

INVESTMENTS

Tangible and intangible investments (net of disposals) amounted to €0.5 million in the first half of 2020, compared to €0.7 million in the first half of 2019.

REPAYABLE ADVANCES AND LOANS

In 2016, the Company obtained a €10 million credit facility from the European Investment Bank (EIB) under the IDFF (Infectious Diseases Finance Facility). This principal is repayable in full in a single bullet payment at the end of a five-year term, i.e. on June 20, 2021. Interest for the fourth year of €0.8 million was paid in June 2020, compared to an interest payment of €2.2 million in the first half of 2019 corresponding to the cumulative interest for the first three years.

In September 2020, the Company amended the revolving credit agreement with Natixis. The credit facility is now for a maximum of €15 million, which can be drawn down in one or more installments. Under this credit agreement, Transgene must pledge the shares it holds in Tasly BioPharmaceuticals prior to the first drawdown. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €15 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This credit agreement is valid until June 2022 and, according to the principles of a revolving credit, the capital drawn down must be fully repaid at the latest at the end of the program's duration. The available credit will be reduced in line with future sales of securities. At June 30, 2020, the Company had not drawn down on this credit facility.

Transgene received a €0.7 million repayable advance as part of the NEOVIVA research program supported by Bpifrance.

■ LIQUIDITY AND CAPITAL RESOURCES

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.

At June 30, 2020, Transgene had €33.2 million in cash and other current financial assets, compared to €43.3 million at December 31, 2019.

■ NET CASH BURN

Transgene's cash burn amounted to €10.1 million in the first half of 2020, compared with €4.1 million for the same period in 2019.

Transgene confirms its financial visibility until 2022.

2.3 ■ MAIN TRANSACTIONS WITH RELATED PARTIES

This information is disclosed in Note 20 of the 2020 interim financial statements published herein.

2.4 ■ COVID-19

The first half of 2020 was marked by the Covid-19 pandemic and containment measures in France and internationally. Against this backdrop, Transgene quickly put in place measures to ensure the safety of its employees while maintaining business continuity as much as possible.

Activity in laboratories and in production was maintained for most of the period, allowing strategic research projects to progress and the pilot manufacturing unit to operate. Remote work and the implementation of virtual meeting tools made it possible to continue almost all activities and maintain Transgene's visibility, especially at scientific congresses.

Clinical trials continued, with the exception of a Phase 1 trial of TG6002 that was taking place at a clinical center in Leeds (UK), for which inclusions have been suspended in response to the Covid-19 pandemic. Inclusions have resumed in September. As for the other trials, the pace of patient enrollment has been maintained overall even though there have been and continue to be significant variations across months, countries, clinical centers and clinical trials. In addition, Transgene uses academic centers of excellence to perform some translational analyses of clinical trial data. As a result, the completion of several analyses was postponed due to the participation of these centers in research against Covid-19. Similarly, the time required for the review of clinical trial protocols by health authorities and the various committees is being extended. A delay in the launch of the next clinical trials and the opening of new clinical centers for ongoing trials is conceivable, albeit difficult to quantify.

As of the date of this report, the Company cannot measure the extent, duration or total impact that the Covid-19 pandemic will have on its operations. The impact of the Covid-19 pandemic on the Company's future financial results will depend on future developments, including the duration and spread of the Covid-19 pandemic and related government notices and restrictions. These developments and the impact of Covid-19 on the financial markets and the economy in general are also highly uncertain and the Company could be adversely affected in its operations or its access to financing as a result of any recession or economic depression that has occurred or may occur in the future.

2.5 ■ POST-CLOSING EVENTS

On August 4, 2020, Transgene announced the receipt of US$22.2 million (€19 million) following the sale to a Chinese investment fund of part of its minority stake in Tasly BioPharmaceuticals. This transaction involved 10.3 million shares of Tasly BioPharmaceuticals (38% of the shares held by Transgene). The transaction enhances the Company's cash position and strengthens its financial visibility until 2022.

Following this share sale, Transgene holds 17.1 million shares in Tasly BioPharmaceuticals, equivalent to 1.58% of the Chinese company's capital. Transgene's remaining shareholding in Tasly BioPharmaceuticals is valued at approximately US$36.9 million based on the price of the current share sale.

At the end of August 2020, Tasly BioPharmaceuticals filed its IPO documentation with the Science and Technology Innovation Board (STIB) of the Shanghai Stock Exchange.

In September 2020, the Company and Natixis plan to sign an amendment bringing the credit line to 15 million euros (note 10.2).

3.

STATUTORY AUDITORS' REPORT ON THE 2020 INTERIM FINANCIAL STATEMENTS

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69463 Lyon Cedex 06
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632 013 843 R.C.S Nanterre

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

ERNST & YOUNG et Autres
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S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie régionale de Versailles

Transgene S.A.
Period from January 1 to June 30, 2020

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

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting 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, 2020;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are under the Board of Directors' responsibility on September 16, 2020 on the basis of the elements available at that date, in the evolving context of the health crisis related to Covid-19. 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 prepared on September 16, 2020.

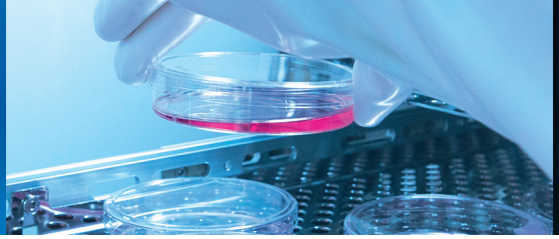
We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Lyon and Paris-La Défense, September 16, 2020
The Statutory Auditors
French original signed by

GRANT THORNTON
Françoise Méchin

ERNST & YOUNG et Autres
Cédric Garcia

4.



DECLARATION BY THE PERSON RESPONSIBLE FOR THIS INTERIM FINANCIAL REPORT

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.

Philippe Archinard
Président-Directeur Général