



transgene



# INTERIM FINANCIAL REPORT

AT JUNE 30, 2021



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# 2021 INTERIM FINANCIAL STATEMENTS

## ■ CONSOLIDATED BALANCE SHEET, IFRS (in € thousands)

ASSETS	NOTE	JUNE 30, 2021	DEC. 31, 2020
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2	11,486	5,277
Other current financial assets	2	36,596	21,077
<b>Cash, cash equivalents and other current financial assets</b>	<b>2</b>	<b>48,082</b>	<b>26,354</b>
Trade receivables	3	1,616	1,667
Other current assets	4	3,723	2,666
Assets available for sale	5	17,036	-
<b>TOTAL CURRENT ASSETS</b>		<b>70,457</b>	<b>30,687</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	12,709	13,110
Intangible assets	7	120	141
Non-current financial assets	8	19,544	34,042
Other non-current assets	9	4,092	7,473
<b>TOTAL NON-CURRENT ASSETS</b>		<b>36,465</b>	<b>54,766</b>
<b>TOTAL ASSETS</b>		<b>106,922</b>	<b>85,453</b>

LIABILITIES AND EQUITY	NOTE	JUNE 30, 2021	DEC. 31, 2020
<b>CURRENT LIABILITIES</b>			
Trade payables		6,229	5,066
Current financial liabilities	10.1	1,446	1,426
Provisions for risks and expenses	11	171	511
Other current liabilities	12	5,390	6,626
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,236</b>	<b>13,629</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current financial liabilities	10.2	16,646	16,938
Employee benefits	13	3,975	4,526
Other non-current liabilities	12	421	110
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>21,042</b>	<b>21,574</b>
<b>TOTAL LIABILITIES</b>		<b>34,278</b>	<b>35,203</b>
<b>EQUITY</b>			
Share capital	14	48,886	41,921
Share premiums and reserves		68,132	40,938
Retained earnings		(31,559)	(14,327)
Profit/(loss) for the period		(11,800)	(17,231)
Other comprehensive income/(loss)		(1,015)	(1,051)
<b>TOTAL EQUITY ATTRIBUTABLE TO COMPANY SHAREHOLDERS</b>		<b>72,644</b>	<b>50,250</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>106,922</b>	<b>85,453</b>

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

	NOTE	JUNE 30, 2021	JUNE 30, 2020
Revenue from collaborative and licensing agreements	15.1	1,361	2,255
Government financing for research expenditure	15.2	3,510	2,975
Other income	15.3	118	501
<b>OPERATING INCOME</b>		<b>4,989</b>	<b>5,731</b>
Research and development expenses	16.1	(15,339)	(13,831)
General and administrative expenses	16.2	(3,080)	(3,297)
Other expenses	16.3	(2)	-
<b>OPERATING EXPENSES</b>		<b>(18,421)</b>	<b>(17,128)</b>
<b>OPERATING INCOME/(LOSS)</b>		<b>(13,432)</b>	<b>(11,397)</b>
Financial income/(loss)	17	1,632	9,183
<b>INCOME/(LOSS) BEFORE TAX</b>		<b>(11,800)</b>	<b>(2,214)</b>
Income tax expense	18	-	-
<b>NET INCOME/(LOSS)</b>		<b>(11,800)</b>	<b>(2,214)</b>
Basic earnings per share (€)	14.2	(0.14)	(0.03)
Diluted earnings per share (€)	14.2	(0.14)	(0.03)

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

	JUNE 30, 2021	JUNE 30, 2020
<b>NET INCOME/(LOSS)</b>	<b>(11,800)</b>	<b>(2,214)</b>
Foreign exchange gains/(losses)	4	(5)
Revaluation of hedging instruments	32	35
<b>OTHER ELEMENTS OF COMPREHENSIVE INCOME/ (LOSS) SUBSEQUENTLY RESTATED AS INCOME</b>	<b>36</b>	<b>30</b>
<b>NET COMPREHENSIVE INCOME/(LOSS)</b>	<b>(11,764)</b>	<b>(2,184)</b>
Of which, attributable to parent company	(11,764)	(2,184)
Of which, non-controlling interests	-	-

## ■ CASH FLOW STATEMENT, IFRS (in € thousands)

	NOTE	JUNE 30, 2021	JUNE 30, 2020
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income/(loss)		(11,800)	(2,214)
Cancellation of financial income/(loss)		(1,632)	(9,183)
<b>ELIMINATION OF NON-CASH ITEMS</b>			
Provisions		(903)	828
Depreciation and amortization	6, 7	918	869
Share-based payments	16	782	828
Others		2	(1,070)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL AND OTHER OPERATING CASH FLOW</b>		<b>(12,633)</b>	<b>(9,942)</b>
<b>CHANGE IN OPERATING WORKING CAPITAL REQUIREMENTS</b>			
Current receivables and prepaid expenses		(434)	738
Research tax credit (RTC)	15.2	(3,527)	(2,967)
Other current assets	4	(86)	734
Trade payables		822	(1,966)
Prepaid income	12, 15	(598)	(1,768)
Other current liabilities	12	(327)	(549)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(16,783)</b>	<b>(15,720)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Acquisitions)/disposals of property, plant and equipment	6	(525)	(520)
(Acquisitions)/disposals of intangible assets	7	(11)	(16)
Other (acquisitions)/disposals	8	286	321
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(250)</b>	<b>(215)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net financial income/(loss) proceeds	17	(292)	(194)
Gross proceeds from the issuance of shares	14	34,129	-
Share issue costs		(406)	-
Conditional subsidies	10.2	-	655
(Acquisition)/disposal of other financial assets	2	(15,519)	16,000
Net amounts received for financing of tax credits	9	6,050	6,288
Bank borrowing	10	(92)	(971)
Financial leases and change in lease obligations	10	(632)	(7)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>23,238</b>	<b>21,771</b>
Exchange rate differences on cash and cash equivalents		4	(5)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>6,209</b>	<b>5,831</b>
Cash and cash equivalents at beginning of period		5,277	1,343
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>11,486</b>	<b>7,174</b>
Investments in other current financial assets		36,596	26,027
<b>CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS</b>		<b>48,082</b>	<b>33,201</b>







# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOREWORD

The consolidated financial statements of Transgene (the “Company”) at June 30, 2021, 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 22, 2021.

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, 2021, 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, 2020, presented in the Universal Registration Document submitted to the (AMF) on April 1, 2021. In certain cases, these rules have been adapted to the specificities of interim financial statements, in accordance with IAS 34.

The accounting principles used for the preparation of the interim consolidated financial statements comply with IFRS standards and interpretations as adopted by the European Union on June 30, 2021. This standard is available on the European Commission website. The Company has not applied the published accounting principles, interpretations and amendments that are not yet in force.

The new standards, amendments and interpretations adopted by the European Commission and applicable from January 1, 2021 are presented below:

- amendments to IFRS 4 on insurance contracts - application of IFRS 9 Financial Instruments with IFRS 4;
- benchmark interest rate reform, phase 2. Proposed amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments have no impact on the financial statements at June 30, 2021.

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, 2021.

The standards, amendments and interpretations adopted by the IASB, which will come into force in the financial years beginning on or after January 1, 2021, and whose adoption process by the European Union is ongoing, are presented below:

- applicable for financial years beginning on or after January 1, 2022:
  - annual improvements to standards - 2018-2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 published by the IASB in May 2020);
  - amendments to IFRS 3 - reference to the conceptual framework, published by the IASB in May 2020;
  - amendments to IAS 37 - Onerous contracts - Cost of fulfilling a contract, published by the IASB in May 2020;
  - amendments to IAS 16 - Intangible Assets - Proceeds before Intended Use, published by the IASB in May 2020;

- applicable for financial years beginning on or after January 1, 2023:
  - amendments to IAS 1 - classification of liabilities as current and non-current, published by the IASB in January and July 2020;
  - amendments to IAS 1 - Disclosures on accounting policies, published by the IASB in February 2021;
  - amendments to IAS 8 - definition of accounting estimates, published by the IASB in February 2021.

The Company does not expect these amendments to have a material impact on its financial statements.

The IFRS 16 amendment published in March 2021 by the IASB on rent reductions related to the Covid-19 pandemic beyond June 30, 2021, applicable for financial years beginning on or after April 1, 2021, is not applicable in advance as of June 30, 2021, although published by the IASB, as it is in the process of being adopted by the European Union. In the absence of any rental concessions recorded in the first half of 2021 for the Company, this amendment would have no impact.

Given the late publication of the IFRS IC decision of April 2021 on the allocation of pension benefits to periods of service, the Company did not analyze the potential impact of this decision for the interim financial statements. The analysis will be finalized by December 31, 2021.

There are no standards, amendments and interpretations published by the IASB whose application is mandatory for fiscal years beginning on or after January 1, 2021, 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

Transgene's management made estimates and assumptions in preparing the financial statements in accordance with IFRS, which may have an impact on the assets and liabilities, and the reported amounts of income and expenses for the financial period. Actual results may be significantly different from these estimates.

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

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

## 1.2 ■ BASIS OF CONSOLIDATION

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

## 1.3 ■ 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

Starting in the first half of 2020, Transgene has put in place measures to ensure the safety of its employees while maintaining business continuity in the context of the Covid-19 pandemic. As a pharmaceutical company, Transgene continued its laboratory, research and clinical batch production activities. Remote work and the implementation of virtual meeting tools have made it possible to continue all activities almost normally and to maintain Transgene's visibility, particularly at scientific conferences.

During the first half of 2021, the impact of the pandemic context on Transgene has been limited. Clinical trials were launched or continued. The pace of patient enrollment has been maintained overall in line with forecasts even though there have been and continue to be significant variations across months, countries, clinical centers and clinical trials. In order to ensure a better consistency of enrollments, Transgene has focused its efforts on the opening of clinical centers specialized in cancer treatment, as these institutions are generally less affected by epidemic peaks than large general hospitals.

In addition, although the impact on the Company is not material at this stage, the supply of certain manufacturing inputs from the United States in particular is proving more difficult. If these difficulties persist or worsen, they could have a more significant adverse impact on laboratory, production or clinical research activities in the coming months. These tensions have been identified and corrective measures are being rolled out.

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, 2021	DEC. 31, 2020
Cash	11,478	5,269
Cash equivalents	8	8
<b>CASH AND CASH EQUIVALENTS</b>	<b>11,486</b>	<b>5,277</b>
<b>OTHER CURRENT FINANCIAL ASSETS</b>	<b>36,596</b>	<b>21,077</b>
<b>TOTAL CASH AND CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS</b>	<b>48,082</b>	<b>26,354</b>
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, 2021	DEC. 31, 2020
Total gross	1,616	1,667
Provisions for impairment	-	-
<b>TOTAL NET TRADE RECEIVABLES</b>	<b>1,616</b>	<b>1,667</b>

As of June 30, 2021, the main receivables relate to receivables from our co-development partners, whose share of costs provisioned by the Company are: NEC for €677 thousand and BioInvent for €437 thousand.



NOTE  
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## OTHER CURRENT ASSETS

IN € THOUSANDS	JUNE 30, 2021	DEC. 31, 2020
Research tax credits, current portion	109	133
State – recoverable VAT and tax receivables	488	388
Accrued credit notes	41	14
Employee benefits expense	26	29
Grant receivable	62	49
Prepaid expenses, current portion	2,756	1,908
Other current receivables	241	145
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>3,723</b>	<b>2,666</b>

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

Other current receivables correspond mainly to the amount that Transgene will receive from the former shareholders of ElsaLys Biotech SA (€241 thousand) following the agreements related to the disposal of the Company's shares in April 2020.

NOTE  
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## ASSETS AVAILABLE FOR SALE

On September 22, 2021, the Company signed an agreement for the sale of 8,399,999 shares held in Tasly BioPharmaceuticals, at a price of US\$2.41 per share, for a transaction amounting to a total of US\$20.2 million. This transaction consisted in the disposal of 49% of the shares held by Transgene as of June 30, 2021.

As the negotiations leading to this transaction began before the closing of the interim financial statements, as and the terms were very advanced as of June 30, 2021, the net value of the shares sold was reclassified as Assets available for sale on the balance sheet at June 30, 2021, 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 BioPharmaceuticals 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, 2021, at the price per share recorded for shares sold in September 2021, generating financial income of €2,430 thousand over the period (note 17).

NOTE  
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## PROPERTY, PLANT AND EQUIPMENT

IN € THOUSANDS	12/31/2020	Increase	Decrease	06/30/2021
<b>GROSS CARRYING VALUE</b>				
Land	1,771	-	-	1,771
Buildings and fixtures	17,285	171	-	17,456
Right of use	205	-	-	205
Laboratory equipment	11,997	233	(66)	12,164
Office and computer equipment	1,651	69	(39)	1,681
Assets in progress	65	14	-	79
<b>TOTAL GROSS CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>32,974</b>	<b>487</b>	<b>(105)</b>	<b>33,356</b>
<b>DEPRECIATION, AMORTIZATION AND IMPAIRMENT</b>				
Buildings and fixtures	(10,519)	(412)	-	(10,931)
Right of use	(124)	(34)	-	(158)
Laboratory equipment	(7,745)	(405)	66	(8,084)
Office and computer equipment	(1,476)	(35)	37	(1,474)
<b>TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT</b>	<b>(19,864)</b>	<b>(886)</b>	<b>103</b>	<b>(20,647)</b>
<b>NET BOOK VALUE OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>13,110</b>	<b>(399)</b>	<b>(2)</b>	<b>12,709</b>

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

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Research and development expenses	862	824
General and administrative expenses	24	23
<b>TOTAL DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT</b>	<b>886</b>	<b>847</b>

NOTE  
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## INTANGIBLE ASSETS

IN € THOUSANDS	12/31/2020	Increase	Decrease	06/30/2021
<b>GROSS CARRYING VALUE</b>				
Intangible assets	3,096	20	(3)	3,113
Intangible assets in progress	9	(9)	-	-
<b>TOTAL GROSS CARRYING VALUE OF INTANGIBLE ASSETS</b>	<b>3,105</b>	<b>11</b>	<b>(3)</b>	<b>3,113</b>
<b>DEPRECIATION, AMORTIZATION AND IMPAIRMENT</b>				
Intangible assets	(2,964)	(32)	3	(2,993)
<b>TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT</b>	<b>(2,964)</b>	<b>(32)</b>	<b>3</b>	<b>(2,993)</b>
<b>NET BOOK VALUE OF INTANGIBLE ASSETS</b>	<b>141</b>	<b>(21)</b>	<b>-</b>	<b>120</b>

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

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Research and development expenses	19	10
General and administrative expenses	6	6
<b>TOTAL AMORTIZATION OF INTANGIBLE ASSETS</b>	<b>25</b>	<b>16</b>

NOTE  
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## NON-CURRENT FINANCIAL ASSETS

IN € THOUSANDS	DEC. 31, 2020	Increase	Change in fair value through the income statement	Decrease	June 30, 2021
<b>FAIR VALUE</b>					
<b>Non-consolidated equity securities without significant influence:</b>	<b>32,507</b>	<b>-</b>	<b>2,472</b>	<b>(17,036)</b>	<b>17,943</b>
■ Tasly BioPharmaceuticals	32,339	-	2,430	(17,036)	17,733
■ Vaxxel SAS	168	-	42	-	210
■ Dynamis Therapeutics Inc	-	-	-	-	-
<b>Other financial assets</b>	<b>1,535</b>	<b>359</b>	<b>-</b>	<b>(293)</b>	<b>1,601</b>
<b>FAIR VALUE</b>	<b>34,042</b>	<b>359</b>	<b>2,472</b>	<b>(17,329)</b>	<b>19,544</b>

The increase in the value of non-consolidated equity securities without significant influence corresponds to the revaluation of all Tasly BioPharmaceuticals shares following the disposal of 49% of the shares held by Transgene on September 22, 2021. The sale price was applied to all the shares held, this price being considered as a market price.

The Company revalued the shares held in Vaxxel SAS, on the basis of the valuation implicit in a refinancing transaction carried out in May 2021, leading to an increase in the value of the shares of €42 thousand.

After this transaction, the Company holds a 7% stake in Vaxxel SAS, compared to 10% previously. The Company could also receive earn-outs of up to €4 million. As of June 30, 2021, the realization of the earn-outs is considered uncertain and distant.

The increase in other financial assets in the first half of 2021 was primarily due to the holdback with respect to the sale of the 2020 research tax credit in the amount of €318 thousand.

The decrease in other financial assets relates mainly to repayment of the holdback to guarantee the bank financing of the 2017 research tax credit in the amount of €270 thousand.

NOTE  
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## OTHER NON-CURRENT ASSETS

IN € THOUSANDS	JUNE 30, 2021	DEC. 31, 2020
RTC, non-current portion	3,527	6,352
Tax credit for Competitiveness and Employment (CICE), non-current portion	-	109
Other receivables, non-current portion	-	276
Prepaid expenses, non-current portion	348	383
Other non-current assets	217	353
<b>TOTAL OTHER NON-CURRENT ASSETS</b>	<b>4,092</b>	<b>7,473</b>

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

The Company has a receivable of €3,527 thousand for the 2021 RTC.

In June 2021, the Company signed an agreement to sell a research tax credit to a banking institution. The Company thereby received €6,034 thousand for the 2020 RTC (representing 95% financing) and no longer has a receivable from the French government. This financing contract is classified as deconsolidating, and no debt is recognized for the financing received.

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, 2021	DEC. 31, 2020
<b>RTC - NON-CURRENT PORTION</b>			
2020	2024	-	6,352
June 2021	2025	3,527	-
<b>TOTAL NON-CURRENT PORTION</b>		<b>3,527</b>	<b>6,352</b>
<b>TOTAL RTC</b>		<b>3,527</b>	<b>6,352</b>
<b>CICE - CURRENT PORTION</b>			
2017	2021	-	133
2018	2022	109	-
<b>TOTAL CURRENT PORTION</b>		<b>109</b>	<b>133</b>
<b>CICE - NON-CURRENT PORTION</b>			
2018	2022	-	109
<b>TOTAL NON-CURRENT PORTION</b>		<b>-</b>	<b>109</b>
<b>TOTAL CICE</b>		<b>109</b>	<b>242</b>

## RECEIVABLES FROM THE SALE OF PARTICIPATING INTERESTS

In the sales agreement of ElsaLys Biotech SA shares signed in April 2020, earn-outs 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, 2021, ElsaLys Biotech SA had not sold the patent rights. The revenue from the product concerned by the agreement does not generate a sufficient level of revenue for the Company to recognize an earn-out as at June 30, 2021.

## OTHER NON-CURRENT ASSETS

Other non-current assets correspond to the amount that Transgene will receive (€217 thousand) from the former shareholders of ElsaLys Biotech SA following the agreements related to the disposal of ElsaLys Biotech SA shares.

### NOTE 10

## FINANCIAL LIABILITIES

The following table breaks down financial liabilities by maturity:

IN € THOUSANDS	JUNE 30, 2021	DEC. 31, 2020
Financial liabilities, current portion	1,446	1,426
Financial liabilities, non-current portion	16,646	16,938
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>18,092</b>	<b>18,364</b>

As of June 30, 2021, the main financial liabilities are related to the property leasing (head office and main research and development laboratories) and repayable advances received by Bpifrance under the ADNA and NEOVIVA subsidized programs.

### 10.1 FINANCIAL LIABILITIES, CURRENT PORTION

IN € THOUSANDS	JUNE 30, 2021	DEC. 31, 2020
Property leasing	920	894
Equipment leasing	314	313
Lease obligation	54	56
Financing of CICE	114	118
Interests on bank loan	44	45
<b>TOTAL FINANCIAL LIABILITIES, CURRENT PORTION</b>	<b>1,446</b>	<b>1,426</b>

### 10.2 FINANCIAL LIABILITIES, NON-CURRENT PORTION

IN € THOUSANDS	JUNE 30, 2021	DEC. 31, 2020
Property leasing	2,579	3,045
Equipment leasing	508	665
Lease obligation	-	33
Interest rate swaps – fair value	79	112
Conditional advances	13,480	12,969
Financing of CICE	-	114
Interests on bank loan	-	-
<b>TOTAL FINANCIAL LIABILITIES, NON-CURRENT PORTION</b>	<b>16,646</b>	<b>16,938</b>



## ■ EQUIPMENT LEASING

In 2018 and 2020, Transgene acquired two insulators under financial leases for a gross amount of €836 thousand and €732 thousand, payable over five years.

As of June 30, 2021, a total of €822 thousand was still due (including €314 thousand due in the short term).

## ■ LEASE OBLIGATION

The lease obligation of €54 thousand due in the short term corresponds to the recognition of the rental of offices and laboratories in Lyon under IFRS 16 (on the asset side, this right of use is recognized in property, plant and equipment).

## ■ CONDITIONAL ADVANCES

### ■ ADNA

At June 30, 2021, conditional advances referred mainly 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 of June 30, 2021, the value of the repayable advances liability in the Company's balance sheet amounts to €12,849 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 the TG4001 product 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, with TG4010 have been terminated in 2019.

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

- the development and marketing schedule for TG4001;
- the probability of success of the clinical phases;
- the target market, the penetration rate and the treatment price;
- the schedule and financial terms of a development and marketing partnership (payment on signature, payment based on milestones, royalties); and
- the discounted cash flow rate.

As of June 30, 2021, the assumptions used by Management have not changed compared to December 31, 2020, as the clinical development of TG4001 continues with the initiation of the trial amendment in May 2021. The Company considers that the assumptions used at December 31, 2020 remain appropriate.

The change at June 30, 2021 is due to the discounting of future cash flows and the change in the US dollar exchange rate.

At June 30, 2021, the discount rate used was 7.5%.

A sensitivity analysis on:

- the signature schedule linked to a potential partnership shows that a delay of one year in the trigger threshold for the fixed repayment provided for in the contract would have a downward impact of €1.3 million on the value of the ADNA payable. Conversely, a one-year advance in this schedule would have an upward impact on this payable of €1.4 million;
- the financial terms associated with a potential partnership show that a 10% increase in the partnership budget would not impact the value of the payable. A 10% decrease in this budget would decrease the payable by €1.3 million;
- a 1% decrease in the discount rate would increase the payable by €1.2 million and a 1% increase in the discount rate would decrease the payable by €1.1 million.

### ■ NEOVIVA

Under the NEOVIVA program, signed in March 2019, Transgene could receive reimbursable advances of €2.4 million. As of June 30, 2021, the Company received €892 thousand for this program. Based on the Company's financing rate, the fair value of this debt as of June 30, 2021, was estimated at €631 thousand.

### ■ NATIXIS CREDIT FACILITY

Since 2019, the Company has had a renewable credit agreement with Natixis. An amendment was signed in April 2021 extending the credit agreement until mid-April 2023.

Under this credit agreement of €15 million euros, Transgene must pledge the shares it holds in Tasly BioPharmaceuticals prior to the first drawdown. At June 30, 2021, the Company had not drawn down on this credit facility.

As the available credit is to be reduced in line with the future disposals of securities, the sale of Tasly BioPharmaceuticals shares on September 22, 2021, will result in the contractual cancellation of this credit line as soon as the proceeds are received..

## NOTE 11

### PROVISIONS FOR RISKS AND EXPENSES

IN € THOUSANDS	DEC. 31, 2020	PROVISIONS	RETAINED EARNINGS	REVERSALS NOT APPLICABLE	USE OF THE PROVISION	JUNE 30, 2021
Provisions for risks	5	-	-	-	-	5
Provisions for expenses	506	-	-	(245)	(95)	166
<b>TOTAL PROVISIONS FOR RISKS AND EXPENSES</b>	<b>511</b>	<b>-</b>	<b>-</b>	<b>(245)</b>	<b>(95)</b>	<b>171</b>

The provision for expenses corresponds to the costs remaining to be incurred for the ongoing clinical trial with TG4010, which was halted at the end of 2019. Of this provision, €95 thousand was used in the first half of 2021.

At June 30, 2021, the Company reviewed the remaining costs to be incurred on this project and has decided to write back €245 thousand.

NOTE  
12

## OTHER LIABILITIES

## ■ OTHER CURRENT LIABILITIES

IN € THOUSANDS	JUNE 30, 2021	DEC. 31, 2020
Tax and social liabilities	3,464	3,791
Prepaid income	1,918	2,827
• Revenue from collaboration and licenses	1,566	2,666
• Research and development grants	-	-
• Other	352	161
Other short-term payables	8	8
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>5,390</b>	<b>6,626</b>

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, 2021, €1,730 thousand remained (including €1,323 thousand due in the short term) recognized as deferred income related to the payment of the US\$10 million. The balance of deferred income in services and license revenues concerns contracts for the production of batches requested by AstraZeneca.

## ■ OTHER NON-CURRENT LIABILITIES

IN € THOUSANDS	JUNE 30, 2021	DEC. 31, 2020
Prepaid income	421	110
• Revenue from collaboration and licenses	407	-
• Research and development grants	-	-
• Other	14	110
Other long-term payables	-	-
<b>TOTAL OTHER NON-CURRENT LIABILITIES</b>	<b>421</b>	<b>110</b>

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, 2021	DEC. 31, 2020
Discount rate	0.60%	0.60%
Expected long-term inflation rate	1.70%	1.70%
Rate of future salary increases	1.50%	1.50%
Retirement age:		
• managers:	65 years	65 years
• non-managers:	63 years	63 years
<b>TOTAL PROVISIONS FOR RETIREMENT BENEFITS</b>	<b>3,975</b>	<b>4,526</b>



## NOTE 14 EQUITY

### 14.1 ■ SHARE CAPITAL

Transgene completed a €34,128,500 capital increase in June 2021. This transaction resulted in the creation of 13,930,000 new shares at €0.50 each, i.e. an increase in the share capital of €6,965,000. The balance of the capital increase was recorded as issuance premium for €27,163,500.

At June 30, 2021, the number of outstanding shares of Transgene was 97,771,334, representing share capital of €48,885,667.

During the first half of 2021, the Board of Directors authorized the granting of 2,299,956 free shares (note 14.4).

### 14.2 ■ EARNINGS PER SHARE

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

	JUNE 30, 2021	JUNE 30, 2020
<b>BASIC EARNINGS PER SHARE</b>		
Available net profit (in € thousands)	(11,800)	(2,214)
Average number of shares outstanding	84,305,667	83,841,334
<b>BASIC EARNINGS PER SHARE (IN €)</b>	<b>(0.14)</b>	<b>(0.03)</b>
<b>DILUTED EARNINGS PER SHARE (IN €)</b>	<b>(0.14)</b>	<b>(0.03)</b>

In the first half of 2020 and 2021, 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).

### 14.3 ■ STOCK OPTION PLANS

Transgene did not grant any new stock options during the first half of 2021. The number of options outstanding at December 31, 2020, amounted to 41,532, of which 41,532 were exercisable. No change has occurred since this date.

The cost of services rendered is recognized as an expense over the vesting period. There was no expense in the first half of 2021, just as in the first half of 2020.

### 14.4 ■ FREE SHARE PLANS

In the first half of 2021, 2,299,956 free shares were granted to employees and members of the Management Committee. Some of these shares are subject to collective performance conditions for all employees.

As of June 30, 2021, 4,307,606 free shares were vested following this new grant. The total number of free shares granted and vested was 2,007,650 shares at December 31, 2020.

The cost of services rendered is recognized as an expense over the vesting period. The expense was €782 thousand in the first half of 2021, excluding the URSSAF (social security) contribution, compared to €828 thousand in the first half of 2020.

NOTE  
15

## OPERATING INCOME

## 15.1 ■ REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Revenue from research and development collaboration	1,361	2,262
License fees and royalties	-	(7)
<b>TOTAL REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS</b>	<b>1,361</b>	<b>2,255</b>

Research and development collaboration revenues amounted to €1,361 thousand in the first half of 2021, compared to €2,262 thousand in the first half of 2020. 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 number of candidates to be developed;
- 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 €1,321 thousand. Of this amount €814 thousand reflects recognition of the initial payment for work completed during the period. The €1,973 thousand balance not recognized at this time was recorded in Prepaid income at June 30, 2021 (note 12). The Company also recognized €508 thousand in revenue over the period for the completion of preclinical steps and batch production.

## 15.2 ■ GOVERNMENT FINANCING FOR RESEARCH EXPENDITURE

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Research subsidies	14	38
Research tax credit, net	3,496	2,937
<b>TOTAL PUBLIC FUNDING FOR RESEARCH EXPENSES</b>	<b>3,510</b>	<b>2,975</b>

The gross research tax credit, excluding advisory fees, for the first half of 2021 was €3,527 thousand.





## 15.3 ■ OTHER INCOME

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Other income	118	501
<b>TOTAL OTHER INCOME</b>	<b>118</b>	<b>501</b>

In the first half of 2020, other income of €282 thousand corresponds 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, 2021	JUNE 30, 2020
Payroll costs	6,297	5,753
Share-based payments	521	528
Intellectual property expenses and licensing costs	284	490
External expenses for clinical projects	2,475	2,979
External expenses for other projects	2,312	1,093
Operating expenses	2,569	2,154
Depreciation, amortization and provisions	881	834
<b>TOTAL RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>15,339</b>	<b>13,831</b>

Payroll costs in the first half of 2021 amounted to €6,297 thousand, compared to €5,753 thousand for the same period in 2020, due to the increase in the workforce related to production activities. External expenses for clinical projects amounted to €2,475 thousand in the first half of 2021, compared to €2,979 thousand for the same period in 2020. This decrease is related in particular to the reduction in clinical expenditure on TG4001 in the first half of 2021 due to the start of the new trial only in June 2021, compared to the first half of 2020 when patients were being monitored in the first part of the trial. This reduction is also due to the reversal in the first half of 2021 of the provision for expenses of €245 thousand on the TG4010 product recorded in 2019.

External expenses on other projects amounted to €2,312 thousand in the first half of 2021, compared to €1,093 thousand in the first half of 2020. This increase is mainly due to the start in 2021 of a project to improve manufacturing processes.

### 16.2 ■ GENERAL AND ADMINISTRATIVE EXPENSES

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Payroll costs	1,545	1,704
Share-based payments	261	300
Fees and administrative expenses	885	957
Other general and administrative expenses	359	308
Depreciation, amortization and provisions	30	28
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>3,080</b>	<b>3,297</b>

General and administrative expenses amounted to €3,080 thousand in the first half of 2021, a decrease of 7% compared to €3,297 thousand over the same period in 2020.



## 16.3 ■ OTHER EXPENSES

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Net carrying value of disposals of fixed assets	-	-
Other expenses	(2)	-
<b>TOTAL OTHER EXPENSES</b>	<b>(2)</b>	<b>-</b>

### NOTE 17

## FINANCIAL INCOME/(LOSS)

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Investment income	19	42
Cost of debt	(314)	(887)
<b>BORROWING COSTS NET OF INVESTMENTS</b>	<b>(295)</b>	<b>(845)</b>
Other financial income/(expenses)	1,858	8,613
Foreign exchange gains/(losses)	69	1,415
<b>OTHER FINANCIAL INCOME (EXPENSES)</b>	<b>1,927</b>	<b>10,028</b>
<b>TOTAL FINANCIAL INCOME/(LOSS)</b>	<b>1,632</b>	<b>9,183</b>

### ■ COST OF DEBT

The cost of debt comprises:

- bank interest related to the sale of the 2020 RTC receivable for €225 thousand, compared with €273 thousand in the first half of 2020 for the sale of the 2019 RTC receivable;
- bank interest related to the Natixis line of credit for €92 thousand in the first half of 2020, compared to €120 thousand in the first half of 2020;
- accrued interest on the EIB loan for €431 thousand in the first half of 2020; this loan was repaid in advance in October 2020.

### ■ OTHER FINANCIAL INCOME/(EXPENSES)

The increase in the fair value of financial assets is mainly due to the revaluation of Tasly BioPharmaceuticals equity securities for €2,430 thousand following the disposal of 49% of these shares.

Over the same period in 2020, the increase in the fair value of financial assets was mainly due to the revaluation of the equity securities of Tasly BioPharmaceuticals for €11,266 thousand, following the disposal of part of the shares held in July 2020 (difference between the market price at the time of disposal and the price used at December 31, 2019). As of June 30, 2020, the Company had also recognized income of €1,266 thousand following the agreement reached with the former shareholders of ElsaLys Biotech SA for the acquisition of the latter by the Italian company Mediolanum Farmaceutici.

As of June 30, 2020, the Company had also recognized a decrease in the fair value of the receivable on the disposal of Sillajen investments for €1,996 thousand.

The discounting of the ADNA debt generated a financial expense of €488 thousand in the first half of 2021, compared to €443 thousand in the first half of 2020.



## 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 2020 and 2021.

### 18.2 ■ DEFERRED TAXES

No net deferred tax assets were recognized as of June 30, 2021, as deferred tax assets are not recognized due to the uncertainty of taxable income in the next three years.

## NOTE 19 PERSONNEL

### 19.1 ■ WORKFORCE

The Company had 160 employees at June 30, 2021.

AS OF JUNE 30, 2020	MEN	WOMEN	TOTAL
Managers	41	69	110
Non-managers	17	33	50
<b>TOTAL WORKFORCE</b>	<b>58</b>	<b>102</b>	<b>160*</b>

\* Including 133 permanent contracts at June 30, 2021

The Company had 165 employees as of December 31, 2020.

### 19.2 ■ PAYROLL COSTS

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

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Research and development expenses	6,297	5,753
General and administrative expenses	1,545	1,704
<b>TOTAL PAYROLL COSTS</b>	<b>7,842</b>	<b>7,457</b>

Expenses relating to share-based payments amounted to:

IN € THOUSANDS	JUNE 30, 2021	JUNE 30, 2020
Research and development expenses	521	528
General and administrative expenses	261	300
<b>TOTAL SHARE-BASED EXPENSES</b>	<b>782</b>	<b>828</b>



## 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 €36,596 thousand at June 30, 2021. Interest income at June 30, 2021, was €19 thousand.

The table below does not include these cash items.

JUNE 30, 2020 (IN € THOUSANDS)	RECEIVABLES	PAYABLES
ABL Europe SAS	10	165
bioMérieux, Inc.	-	30
bioMérieux SA	-	-
Institut Mérieux	-	-
Transgene Shanghai	-	85
<b>TOTAL AFFILIATED COMPANIES</b>	<b>10</b>	<b>280</b>

JUNE 30, 2020 (IN € THOUSANDS)	INCOME	EXPENSES
ABL Europe SAS <sup>(1)</sup>	115	1,171
bioMérieux, Inc. <sup>(2)</sup>	-	193
bioMérieux SA	-	1
Institut Mérieux <sup>(3)</sup>	-	157
Mérieux Université	-	1
Transgene Shanghai <sup>(4)</sup>	-	155
<b>TOTAL AFFILIATED COMPANIES</b>	<b>115</b>	<b>1,678</b>

■ (1) Expenses related to the agreements for production services provided by ABL Europe to Transgene ■ (2) Expenses related to the agreement for services and re-invoicing of staff, signed between Transgene, Inc. and BioMérieux, Inc. ■ (3) Expenses related to the agreement for services provided by Institut Mérieux. ■ (4) Expenses related to the agreement 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 share capital. At the time of this 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 if it is approved by the stock market authorities (i.e., July 2021), at the initial subscription price plus an annual contractual rate. In July 2020, Transgene had sold 10.3 million shares of Tasly BioPharmaceuticals, representing 38% of the shares held by Transgene. Following this transaction, Transgene held 17.1 million shares of Tasly BioPharmaceuticals, representing 1.58% of its share capital, valued at approximately US\$36.9 million. 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 as of December 31, 2021. On September 22, 2021, the Company sold 49% of the shares held (8.4 million shares). Following this new sale, the Company now holds 8.7 million shares or 0.8% of Tasly BioPharmaceuticals' capital.

Since 2019, the Company has had a renewable credit agreement with Natixis. The credit line has 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 nor 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. An amendment was signed in April 2021 extending the credit agreement until mid-April 2023 (previously June 2022). In accordance with the principles of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest.

As the available credit will be reduced in line with the future disposals of securities, the sale of Tasly BioPharmaceuticals shares on September 22, 2021, will result in the contractual cancellation of this credit line as soon as the proceeds are received.

Under complex agreements (such as licenses, licensing options, the disposal 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, 2021, the Company estimated the current value of its financial commitments under these agreements to be approximately €26 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, 2021 ASSETS (IN € THOUSANDS)	NET AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR
Financial fixed assets	1,601	306	1,295
Trade receivables	1,616	1,616	-
Competitiveness and employment tax credit	109	109	-
Government, VAT and other local authorities	488	488	-
Personnel and related accounts	26	26	-
Prepaid expenses	3,105	2,757	348
Grant receivable	62	62	-
Other receivables	498	281	217
Assets available for sale	17,036	17,036	-
<b>TOTAL ASSETS BY MATURITY</b>	<b>24,541</b>	<b>22,681</b>	<b>1,860</b>

  

JUNE 30, 2021 LIABILITIES (IN € THOUSANDS)	NET AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR AND LESS THAN OR EQUAL TO FIVE YEARS	MORE THAN FIVE YEARS
Trade payables	6,229	6,229	-	-
Property leasing	3,499	920	2,579	-
Equipment leasing	822	314	508	-
Lease obligation	54	54	-	-
Conditional advances	13,480	-	221	13,259
Financing of CICE	114	114	-	-
Interests on bank loan	44	44	-	-
Provisions for risks and charges	171	171	-	-
Provisions for retirement	3,975	251	837	2,887
Accrued employee benefits and tax expense	3,464	3,464	-	-
Prepaid income	2,339	1,918	421	-
Other liabilities	87	8	79	-
<b>TOTAL LIABILITIES BY MATURITY</b>	<b>34,278</b>	<b>13,487</b>	<b>4,645</b>	<b>16,146</b>

NOTE  
24

## HEDGING TRANSACTIONS

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

At June 30, 2021, the market value of the hedging instrument was an unrealized loss of €79 thousand.



## NOTE 25 FINANCIAL INSTRUMENTS

JUNE 30, 2021 (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
<b>FINANCIAL ASSETS</b>							
Cash and cash equivalents	11,486	-	-	-	11,486	11,486	1
Other current financial assets	36,596	-	241	-	36,837	36,837	2
Trade receivables	-	-	1,616	-	1,616	1,616	-
Financial fixed assets	17,943	17,036	1,601	-	36,580	36,580	3
Other non-current assets	-	-	217	-	217	217	3
<b>TOTAL FINANCIAL ASSETS</b>	<b>66,025</b>	<b>17,036</b>	<b>3,675</b>	<b>-</b>	<b>86,736</b>	<b>86,736</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>							
Borrowings from credit institutions, long-term portion	-	-	-	-	-	-	2
Lease commitment, long-term portion	-	-	3,087	-	3,087	3,087	2
Lease obligation, long-term portion	-	-	-	-	-	-	-
Conditional advances	-	-	13,480	-	13,480	13,480	3
Other non-current financial liabilities	-	-	-	79	79	79	2
<b>NON-CURRENT FINANCIAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>16,567</b>	<b>79</b>	<b>16,646</b>	<b>16,646</b>	<b>-</b>
Borrowings from credit institutions, short-term portion	-	-	158	-	158	158	2
Finance leasing, short-term portion	-	-	1,234	-	1,234	1,234	2
Lease obligation, short-term portion	-	-	54	-	54	54	-
<b>CURRENT FINANCIAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>1,446</b>	<b>-</b>	<b>1,446</b>	<b>1,446</b>	<b>-</b>
<b>TRADE PAYABLES</b>	<b>-</b>	<b>-</b>	<b>6,229</b>	<b>-</b>	<b>6,229</b>	<b>6,229</b>	<b>-</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>24,242</b>	<b>79</b>	<b>24,321</b>	<b>24,321</b>	<b>-</b>

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 September 22, 2021, the Company signed an agreement for the sale of 8,399,999 shares held in Tasly BioPharmaceuticals, at a price of US\$2.41 per share, for a total transaction amount of US\$20.2 million (approximately €17 million). This transaction represents a sale of 49% of the shares held by Transgene as of June 30, 2021.

Following this transaction, Transgene now holds 8.7 million shares of Tasly BioPharmaceuticals, representing 0.8% of the share capital of the Chinese company.

# 2

## HALF-YEAR MANAGEMENT REPORT

### 2.1 ■ HIGHLIGHTS OF THE FIRST HALF OF 2021

As of January 1, 2021, Hedi Ben Brahim became Chairman and Chief Executive Officer of Transgene.

Since January 2021, Transgene has achieved significant milestones on all candidates of its clinical portfolio, with:

- the first patients dosed with TG4050, the individualized therapeutic vaccine against cancer based on Transgene's myvac® technology – the first data from the two ongoing Phase I clinical trials are expected in the second half of November 2021;
- the treatment of the first patient in the randomized Phase II trial of TG4001 + avelumab versus avelumab alone in HPV-positive anogenital cancers. This trial will include patients in France, Spain and the United States - the results of the interim analysis of the trial are expected around the end of 2022;
- the first patients dosed in the Phase I trial evaluating BT-001, an oncolytic virus based on the Invir.IO™ platform – first data are expected in H1 2022;
- TG6002 initial data, presented at AACR and ESMO, providing the clinical proof of concept of the intravenous administration of an oncolytic virus. After intravenous administration, TG6002 reached the tumor, multiplied within tumor cells, and induced the local expression of its payload (the *FCU1* gene). These data also suggest that candidates derived from Transgene's Invir.IO™ platform could also be given intravenously, extending the use of these therapies to a broad range of solid tumors – Next data with TG6002 are expected in 2022.

In June 2021, Transgene strengthened its financial structure, raising funds of €34.1 million through a private placement for institutional investors. The funds raised make it possible to extend financial visibility until the end of 2023.

### 2.2 ■ FINANCIAL INCOME (LOSS)

#### ■ OPERATING REVENUE

The table below breaks down revenue for the first half of 2021 compared to the first half of 2020:

IN € MILLIONS	JUNE 30, 2021	JUNE 30, 2020
Revenue from collaborative and licensing agreements	1.4	2.2
Government financing for research expenditure	3.5	3.0
Other income	0.1	0.5
<b>OPERATING REVENUE</b>	<b>5.0</b>	<b>5.7</b>

Research and development collaboration revenues amounted to €1.4 million in the first half of 2021, compared to €2.2 million in the first half of 2020. 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.

Over the period, €1.3 million of income was recognized under this collaboration agreement. Of this amount €0.8 million reflects recognition of the initial payment for work completed during the period. The Company also recognized €0.5 million in revenue over the period for the completion of preclinical and production milestones.

In the first half of 2021, public funding for research expenses mainly consisted of the research tax credit. It amounted to €3.5 million for the first half of 2021, compared to €2.9 million for the same period in 2020. The research tax credit for the first half of 2021 was calculated on the eligible expenses as of June 30, 2021.

Other income amounted to €0.1 million in the first half of 2021 (€0.5 million in the first half of 2020). In the first half of 2020, other income (€0.2 million) corresponded 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.

## ■ OPERATING EXPENSES

Research and development (R&D) expenses amounted to €15.3 million in the first half of 2021 compared to €13.8 million for the same period in 2020.

The following table details R&D expenses by type:

IN € MILLIONS	JUNE 30, 2021	JUNE 30, 2020
Payroll costs	6.3	5.8
Share-based payments	0.5	0.5
Intellectual property expenses and licensing costs	0.3	0.5
External expenses for clinical projects	2.5	3.0
External expenses for other projects	2.3	1.0
Operating expenses	2.5	2.2
Depreciation, amortization and provisions	0.9	0.8
<b>RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>15.3</b>	<b>13.8</b>

Employee benefits expenses allocated to R&D (salaries, charges and related expenses) amounted to €6.3 million in the first half of 2021, compared to €5.8 million in the first half of 2020.

Intellectual property and licensing expenses amounted to €0.3 million in the first half of 2021, compared to €0.5 million in the first half of 2020.

External expenses for clinical projects amounted to €2.5 million in the first half of 2021, compared to €3.0 million for the same period in 2020. This decrease is mainly due to the reduction in clinical expenditure on TG4001 in the first half of 2021, compared to 2020, due to the start of the new study only in June 2021. This reduction is also due to the reversal of the provision of €0.2 million for expenses on TG4010 recorded in 2019.

External expenses on other projects amounted to €2.3 million in the first half of 2021, compared to €1 million in the first half of 2020. This increase is mainly due to the start in 2021 of a project to improve manufacturing processes.

Operating expenses, including costs to operate research laboratories and production costs, amounted to €2.5 million in the first half of 2021 compared to €2.2 million for the same period in 2020.

General and administrative expenses fell to €3.1 million in the first half of 2021 compared to €3.3 million for the same period in 2020.

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

IN € MILLIONS	JUNE 30, 2021	JUNE 30, 2020
Payroll costs	1.5	1.7
Share-based payments	0.3	0.3
Fees and administrative expenses	0.9	1.0
Other general and administrative expenses	0.4	0.3
Depreciation, amortization and provisions	-	-
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>3.1</b>	<b>3.3</b>





Employee benefits expenses represented €1.5 million in the first half of 2021, compared to €1.7 million over the same period in 2020.

Management fees and expenses amounted to €0.9 million in the first half of 2021 compared to €1.0 million for the same period in 2020..

## ■ FINANCIAL INCOME/(LOSS)

Net financial income amounted to a gain of €1.6 million in the first half of 2021 compared to a gain of €9.2 million for the same period in 2020.

The increase in the fair value of financial assets is mainly due to the revaluation of Tasly BioPharmaceuticals equity securities for €2,430 thousand following the disposal of 49% of these shares in September 2021.

Over the same period in 2020, the increase in the fair value of financial assets was mainly related to the revaluation of the Tasly BioPharmaceuticals equity securities for €11,266 thousand, following the disposal of a portion of shares held in July 2020. As of June 30, 2020, the Company had also recognized income of 1,266 thousand following the agreement reached with the former shareholders of ElsaLys Biotech SA for the acquisition of the latter by the Italian company Mediolanum Farmaceutici.

As of June 30, 2020, the Company had also recognized a decrease in the fair value of the receivable on the disposal of Sillajen investments for €1,996 thousand.

The discounting of the ADNA debt generated a financial expense of €488 thousand in the first half of 2021, compared to €443 thousand in the first half of 2020.

The cost of debt comprises:

- bank interest related to the sale of the 2020 RTC receivable for €225 thousand, compared with €273 thousand in the first half of 2020 for the sale of the 2019 RTC receivable;
- bank interest related to the Natixis line of credit for €92 thousand in the first half of 2020, compared to €120 thousand in the first half of 2020;
- accrued interest on the EIB loan for €431 thousand in the first half of 2020. This loan was repaid in advance in October 2020.

## ■ NET INCOME/(LOSS)

The overall net loss amounted to €11.8 million in the first half of 2021 compared to a loss of €2.2 million for the same period in 2020.

The net loss per share was €0.14 for the first half of 2021, compared to €0.03 for the same period in 2020.

## ■ INVESTMENTS

Tangible and intangible investments (net of disposals) amounted to €0.5 million in the first half of 2021, as in the first half of 2020.



## ■ REPAYABLE ADVANCES AND LOANS

Since 2019, the Company has had a renewable credit agreement with Natixis. The credit line has 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 nor 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. An amendment was signed in April 2021 extending the credit agreement until mid-April 2023 (previously June 2022). In accordance with the principles of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest.

As the available credit will be reduced in line with the future disposals of securities, the sale of Tasly BioPharmaceuticals shares on September 22, 2021, will result in the contractual cancellation of this credit line as soon as the proceeds are received.

In June 2020, Transgene received €0.7 million in repayable advances under the NEOVIVA research program, supported by Bpifrance.

## ■ LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2021, Transgene had €48.1 million in cash and other current financial assets, compared to €26.3 million at December 31, 2020. The Company increased its available cash over the period due to a capital increase through a private placement in June 2021 for gross proceeds of €34.1 million.

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.

## ■ NET CASH BURN

Transgene's cash burn amounted to €11.9 million in the first half of 2021, excluding the capital increase, compared with €10.1 million for the same period in 2020.

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

## 2.3 ■ MAIN TRANSACTIONS WITH RELATED PARTIES

This information is disclosed in Note 20 of the 2021 interim financial statements published herein.

## 2.4 ■ COVID-19

Starting in the first half of 2020, Transgene has put in place measures to ensure the safety of its employees while maintaining business continuity in the context of the Covid-19 pandemic. As a pharmaceutical company, Transgene continued its laboratory, research and clinical batch production activities. Remote work and the implementation of virtual meeting tools have made it possible to continue all activities almost normally and to maintain Transgene's visibility, particularly at scientific conferences.

# 2.

## HALF-YEAR MANAGEMENT REPORT



During the first half of 2021, the impact of the pandemic context on Transgene has been limited. Clinical trials were launched or continued. The pace of patient enrollment has been maintained overall in line with forecasts even though there have been and continue to be significant variations across months, countries, clinical centers and clinical trials. In order to ensure a better consistency of enrollments, Transgene has focused its efforts on the opening of clinical centers specialized in cancer treatment, as these institutions are generally less affected by epidemic peaks than large general hospitals.

In addition, although the impact on the Company is not material at this stage, the supply of certain manufacturing inputs from the United States in particular is proving more difficult. If these difficulties persist or worsen, they could have a more significant adverse impact on laboratory, production or clinical research activities in the coming months. These tensions have been identified and corrective measures are being rolled out.

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 September 22, 2021, the Company signed an agreement for the sale of 8,399,999 shares held in Tasly BioPharmaceuticals, at a price of US\$2.41 per share, for a total transaction amount of US\$20.2 million (approximately €17 million). This transaction represents a sale of 49% of the shares held by Transgene as of June 30, 2021.

Following this transaction, Transgene now holds 8.7 million shares of Tasly BioPharmaceuticals, representing 0.8% of the share capital of the Chinese company.



# DECLARATION BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL STATEMENTS 2021

GRANT THORNTON  
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Commissaire aux Comptes  
Membre de la compagnie régionale  
de Versailles et du Centre

Transgene S.A. Period from January 1 to June 30, 2021

## 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, 2021;
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

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

### 1. CONCLUSION ON THE FINANCIAL STATEMENTS

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

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

### 2. SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

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

Lyon and Paris-La Défense, September 22, 2021  
Les Commissaires aux Comptes

GRANT THORNTON - Membre français de Grant Thornton International  
Françoise Méchin

ERNST & YOUNG et Autres  
Cédric Garcia Brigitte Barouky

# 4



## DECLARATION BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL STATEMENTS

J'atteste, à ma connaissance, que les comptes consolidés pour le semestre écoulé sont établis conformément aux normes comptables applicables et donnent une image fidèle du patrimoine, de la situation financière et du résultat de la société Transgene et de l'ensemble des entreprises comprises dans la consolidation, et que le rapport semestriel d'activité ci-joint présente un tableau fidèle des événements importants survenus pendant les six premiers mois de l'exercice, de leur incidence sur les comptes, des principales transactions entre parties liées ainsi qu'une description des principaux risques et des principales incertitudes pour les six mois restants de l'exercice.

Hedi Ben Brahim  
Président-Directeur général