HALF-YEAR FINANCIAL REPORT

2023

CONTENTS

1.

2023 INTERIM FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET, IFRS (in € thousands)

ASSETS	NOTE	JUNE 30, 2023	DEC. 31, 2022
CURRENT ASSETS			
Cash and cash equivalents	3	3,720	4,403
Other current financial assets	3	3,628	22,423
Cash, cash equivalents and other current financial assets	**3**	**7,348**	**26,826**
Trade receivables	4	1,254	2,789
Other current assets	5	17,110	2,546
Assets available for sale	6	-	14,345
TOTAL CURRENT ASSETS		**25,712**	**46,506**
NON-CURRENT ASSETS			
Property, plant and equipment	7	11,878	11,177
Intangible assets	8	68	77
Non-current financial assets	9	1,375	1,673
Other non-current assets	10	10,517	7,003
TOTAL NON-CURRENT ASSETS		**23,838**	**19,930**
TOTAL ASSETS		**49,550**	**66,436**

LIABILITIES AND EQUITY	NOTE	JUNE 30, 2023	DEC. 31, 2022
CURRENT LIABILITIES			
Trade payables	24	6,674	6,965
Current financial liabilities	11.1	1,750	1,192
Provisions	12	736	23
Other current liabilities	13	3,362	4,602
TOTAL CURRENT LIABILITIES		**12,522**	**12,782**
NON-CURRENT LIABILITIES			
Non-current financial liabilities	11.2	11,570	12,327
Provisions	12	345	-
Employee benefits	14	3,154	3,282
Other non-current liabilities	13	-	204
TOTAL NON-CURRENT LIABILITIES		**15,069**	**15,813**
TOTAL LIABILITIES		**27,591**	**28,595**
EQUITY			
Share capital	15	50,425	50,102
Shares premiums and reserves		71,323	71,621
Retained earnings		(83,433)	(50,628)
Income/(loss) for the period		(15,902)	(32,804)
Other comprehensive income/(loss)		(454)	(450)
TOTAL EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		**21,959**	**37,841**
TOTAL LIABILITIES AND EQUITY		**49,550**	**66,436**

CONSOLIDATED INCOME STATEMENT, IFRS

(in € thousands, except for per-share data)

	NOTE	JUNE 30, 2023	JUNE 30, 2022
Revenue from collaborative and licensing agreements	16.1	1,156	2,298
Government financing for research expenditure	16.2	3,465	3,674
Other income	16.3	142	115
OPERATING INCOME		**4,763**	**6,087**
Research and development expenses	17.1	(15,569)	(16,974)
General and administrative expenses	17.2	(3,251)	(3,944)
Other expenses	17.3	(1,276)	(4)
OPERATING EXPENSES		**(20,096)**	**(20,922)**
OPERATING INCOME/(LOSS)		**(15,333)**	**(14,835)**
Financial income/(loss)	18	(569)	(444)
INCOME/(LOSS) BEFORE TAX		**(15,902)**	**(15,279)**
Income tax expense	19	-	-
NET INCOME/(LOSS)		**(15,902)**	**(15,279)**
Basic earnings per share (€)	15.2	(0.16)	(0.15)
Diluted earnings per share (€)	15.2	(0.16)	(0.15)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(in € thousands)

	JUNE 30, 2023	JUNE 30, 2022
NET INCOME/(LOSS)	**(15,902)**	**(15,279)**
Foreign exchange gains/(losses)	(7)	5
Revaluation of hedging instruments	2	29
OTHER ELEMENTS OF COMPREHENSIVE INCOME/(LOSS) SUBSEQUENTLY RESTATED AS INCOME	**(5)**	**34**
Actuarial gains/(losses) on employee benefit provision	-	736
OTHER ELEMENTS OF COMPREHENSIVE INCOME/(LOSS) SUBSEQUENTLY NON-RECYCLABLE AS INCOME, NET OF DEFERRED TAXES	**-**	**736**
OTHER COMPREHENSIVE INCOME/(LOSS)	**(5)**	**770**
NET COMPREHENSIVE INCOME/(LOSS)	**(15,907)**	**(14,509)**
Of which, attributable to parent company:	(15,907)	(14,509)
Of which, non-controlling interests:	-	-

CASH FLOW STATEMENT, IFRS (in € thousands)

	NOTE	JUNE 30, 2023	JUNE 30, 2022*
CASH FLOW FROM OPERATING ACTIVITIES			
Net income/(loss)		(15,902)	(15,279)
Cancellation of financial income/(loss)		569	444
ELIMINATION OF NON-CASH ITEMS			
Provisions		876	90
Depreciation	7, 8	800	841
Share-based payments	17	(6)	1,810
Other		51	5
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL AND OTHER OPERATING CASH FLOW		**(13,612)**	**(12,089)**
CHANGE IN OPERATING WORKING CAPITAL REQUIREMENTS			
Current receivables and prepaid expenses		1,064	5,792
Research tax credit (RTC)	16.2	(3,495)	2,971
Other current assets	5	236	412
Trade payables		(410)	(1,072)
Prepaid income	13	(900)	(529)
Other current liabilities	13	(544)	(939)
NET CASH USED IN OPERATING ACTIVITIES		**(17,661)**	**(5,454)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Acquisitions)/disposals of property, plant and equipment	7	(1,402)	(350)
(Acquisitions)/disposals of intangible assets	8	(29)	(10)
Disposals of other financial assets	3	19,000	7,950
Other (acquisitions)/disposals	9	330	289
NET CASH USED IN INVESTING ACTIVITIES		**17,899**	**7,879**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net financial income/(loss) proceeds	18	(304)	(561)
Financial leases and change in lease obligations	11	(610)	(643)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**(914)**	**(1,204)**
Exchange rate differences on cash and cash equivalents		(7)	5
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(683)**	**1,226**
Cash and cash equivalents at beginning of period		4,403	5,911
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**3,720**	**7,137**
Investments in other current financial assets		3,628	35,708
CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS		**7,348**	**42,845**

** Comparative information has been restated (Note 2).*

STATEMENT OF CHANGES IN EQUITY, IFRS

(in € thousands or number of shares)

	COMMON SHARES		SHARE PREMIUMS	RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME/(LOSS)	INCOME/(LOSS) FOR THE PERIOD	TOTAL ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS
	NUMBER OF SHARES	SHARE CAPITAL						
AS OF DECEMBER 31, 2022	**100,204,071**	**50,102**	**70,813**	**808**	**(50,628)**	**(450)**	**(32,804)**	**37,841**
Increase of share capital	-	-	-	-	-	-	-	-
Free share awards	646,202	323	54	(377)	-	-	-	-
Share-based payments	-	-	(6)	-	-	-	-	(6)
Liquidity contract	-	-	-	32	-	-	-	32
Income/(loss) for the previous period	-	-	-	-	(32,804)	-	32,804	-
Income/(loss) for the period	-	-	-	-	-	-	(15,902)	(15,902)
Foreign exchange gains/(losses)	-	-	-	-	-	(7)	-	(7)
Interest rate swap	-	-	-	-	-	2	-	2
Net comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**(5)**	**(15,902)**	**(15,907)**
AS OF JUNE 30, 2023	**100,850,273**	**50,425**	**70,861**	**463**	**(83,432)**	**(455)**	**(15,902)**	**21,960**

	COMMON SHARES		SHARE PREMIUMS	RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME/(LOSS)	INCOME/(LOSS) FOR THE PERIOD	TOTAL ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS
	NUMBER OF SHARES	SHARE CAPITAL						
AS OF DECEMBER 31, 2021	**97,771,334**	**48,886**	**67,441**	**2,933**	**(31,092)**	**(1,423)**	**(19,536)**	**67,209**
Increase of share capital	-	-	-	-	-	-	-	-
Free share awards	2,432,737	1,216	697	(1,913)	-	-	-	-
Share-based payments	-	-	1,810	-	-	-	-	1,810
Liquidity contract	-	-	-	(107)	-	-	-	(107)
Income/(loss) for the previous period	-	-	-	-	(19,536)	-	19,536	-
Income/(loss) for the period	-	-	-	-	-	-	(15,279)	(15,279)
Foreign exchange gains/(losses)	-	-	-	-	-	5	-	5
Actuarial gains/(losses) on employee benefit provision	-	-	-	-	-	736	-	736
Interest rate swap	-	-	-	-	-	29	-	29
Net comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**770**	**(15,279)**	**(14,509)**
AS OF JUNE 30, 2022	**100,204,071**	**50,102**	**69,948**	**913**	**(50,628)**	**(653)**	**(15,279)**	**54,403**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOREWORD

The consolidated financial statements of Transgene (the "Company") as of June 30, 2023, were prepared in accordance with the principles and methods defined by IFRS (International Financial Reporting Standards) as adopted by the European Union. The condensed half-year consolidated financial statements were approved by the Board of Directors on September 20, 2023.

The interim financial information includes :

- The balance sheet and statement of comprehensive income (including the income statement);
- The cash flow statement;
- The statement of changes in equity; and
- The condensed notes to the financial statements.

NOTE 1 ACCOUNTING PRINCIPLES

ACCOUNTING STANDARDS

The Company's interim consolidated financial statements as of June 30, 2023 were prepared in accordance with IAS 34 «Interim Financial Reporting» – the IFRS reference standard as adopted by the European Union. As condensed 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 fiscal year ended December 31, 2022, presented in the Universal Registration Document submitted to the French Financial Markets Authority (Autorité des Marchés Financiers) on April 5, 2023. In certain cases, these rules have been adapted to the specificities of interim financial statements, in accordance with IAS 34.

The accounting principles used to prepare the half-year condensed consolidated financial statements comply with IFRS standards and interpretations as adopted by the European Union as of June 30, 2023. 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, 2023, are presented below :

- Amendment to IAS 1, Disclosures on accounting principles and methods; and updated "IFRS Practice Statement 2: Making Materiality Judgments", adopted in March 2022 by the European Union;
- Amendment to IAS 8, Definition of accounting estimates; adopted in March 2022 by the European Union;
- Amendment to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction, adopted in August 2022 by the European Union;
- Amendments to IFRS 17 – Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information.

The application of these new standards and interpretations had no significant impact on the Company's financial statements.

Amendment to IAS 12, Deferred tax relating to the application of the European Pillar 2 Directive was adopted by the IASB in May 2023 and is effective from 2023. However, the amendment had not been adopted by the European Union as of June 30, 2023.

The transposition of Pillar 2 in France is planned for 2023. The Pillar 2 amendment introduced a mandatory temporary exception relating to the recognition of the impacts of the "Top-up tax" in terms of current and deferred taxes. No impact is expected for the Company.

The standards, amendments and interpretations adopted by the IASB, which will come into force for fiscal years beginning on or after January 1, 2024, and for which the adoption process by the European Union is underway, are as follows:

- Amendment to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current, and Non-current liabilities with covenants;
- Amendment to IAS 7 and IFRS 7, Financial Instruments: Supplier finance arrangements;
- Amendment to IFRS 16, Lease liability in a sale and leaseback;
- Amendments to IAS 12, International Tax Reform – Pillar 2 Model Rules.

No significant impact is expected on the application of these new standards.

There are no standards, amendments and interpretations published by the IASB whose application is mandatory for fiscal years beginning on or after January 1, 2023, 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 consolidated financial statements.

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with the general IFRS principles: fair presentation, going concern, accrual basis of accounting, consistency of presentation and materiality.

The going concern principle was adopted, as the Company estimates that it will be able to meet its cash requirements over a period of at least 12 months after the reporting date on the basis of:
- its cash, cash equivalents and other current financial assets available at June 30, 2023;
- finalization of the sale and receipt of the proceeds from the disposal of available-for-sale assets (Tasly BioPharmaceuticals shares) dated July 10, 2023 for €14 million;
- its net cash consumption forecasts for the fiscal year 2023;
- the current account advance agreement signed with TSGH in September 2023.

The Company has financial visibility until the end of 2024.

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 and assumptions.

The main estimates and assumptions that could impact the Company's financial statements concern the valuation of conditional advances under the ADNA program.

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 registered offices are located in Waltham, 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 16 to 18).

NOTE 2 ADJUSTMENT OF THE CASH FLOW STATEMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2022

In the cash flow statement for the fiscal year ended June 30, 2022, the Company made the following corrections, in accordance with IAS 7:

- cash flows from investments in Institut Mérieux's cash pool (disposals of €7,950 thousand) historically presented for their net amount in financial flows are now presented in investment flows for their gross amount;
- cash flows related to the disposal of RTC receivables (€6,675 thousand) historically presented under the item «Net amount received on financing of tax credits» are now classified as operating flows under the item «Research Tax Credit" totaling €2,971 thousand.

NOTE 3 CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

(IN € THOUSANDS)	JUNE 30, 2023	DEC. 31, 2022
Cash	3,712	4,395
Cash equivalents	8	8
CASH AND CASH EQUIVALENTS	**3,720**	**4,403**
OTHER CURRENT FINANCIAL ASSETS	**3,628**	**22,423**
TOTAL CASH AND CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS	**7,348**	**26,826**

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 4 TRADE RECEIVABLES

(IN € THOUSANDS)	JUNE 30, 2023	DEC. 31, 2022
Total gross	1,254	2,789
Provisions for impairment	-	-
NET TOTAL TRADE RECEIVABLES	**1,254**	**2,789**

As of June 30, 2023, the main trade receivables concerned receivables from our co-development partners (including their share of costs provisioned by the Company): NEC for €671 thousand and BioInvent for €219 thousand as of June 30, 2023.

NOTE 5 OTHER CURRENT ASSETS

(IN € THOUSANDS)	JUNE 30, 2023	DEC. 31, 2022
State-recoverable VAT and tax receivables	637	711
Accrued credit notes	227	70
Employee benefit expense	30	29
Grant receivable	17	17
Prepaid expenses, current portion	2,114	1,660
Other current receivables	14,085	59
TOTAL OTHER CURRENT ASSETS	**17,110**	**2,546**

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 mainly correspond to the receivable related to the sale of Tasly BioPharmaceuticals shares completed in May 2023 for an amount of €14,081 thousand. The Company received the funds in July 2023.

NOTE 6 ASSETS AVAILABLE FOR SALE

Available-for-sale assets valued at €14,345 thousand as of December 31, 2022 correspond to Transgene's investment in Tasly BioPharmaceuticals. In May 2023, the Company signed an agreement for the sale of its remaining shares in Tasly BioPharmaceuticals, representing 8.7 million shares, for a total amount of US$15,292 thousand. The transaction was closed in July 2023 with the receipt of the funds. Following the sale of these shares, the Company no longer has any available-for-sale assets as of June 30, 2023.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

(IN € THOUSANDS)	DEC. 31, 2022	Increase	Decrease	JUNE 30, 2023
GROSS CARRYING AMOUNT				
Land	584	-	-	584
Buildings and fixtures	2,677	217	(15)	2,879
Rights-of-use:	17,878	-	(836)	17,042
• Land	1,187	-	-	1,187
• Buildings and fixtures	14,961	-	-	14,961
• Laboratory equipment	1,730	-	(836)	894
Laboratory equipment	10,779	280	(878)	10,181
Office and computer equipment	1,722	38	(46)	1,714
Assets in progress	615	1,435	(455)	1,595
TOTAL GROSS CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT	**34,255**	**1,970**	**(2,230)**	**33,995**
DEPRECIATION, AMORTIZATION AND IMPAIRMENT				
Buildings and fixtures	(1,054)	(86)	15	(1,125)
Rights-of-use:	(12,495)	(443)	827	(12,111)
• Buildings and fixtures	(11,128)	(330)	-	(11,458)
• Laboratory equipment	(1,367)	(113)	827	(653)
Laboratory equipment	(8,004)	(242)	885	(7,361)
Office and computer equipment	(1,525)	(41)	46	(1,520)
TOTAL DEPRECIATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	**(23,078)**	**(812)**	**1,773**	**(22,117)**
NET BOOK VALUE OF PROPERTY, PLANT AND EQUIPMENT	**11,177**	**1,158**	**(457)**	**11,878**

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

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Research and development expenses	760	790
General and administrative expenses	23	24
TOTAL DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT	**783**	**814**

NOTE 8 INTANGIBLE ASSETS

(IN € THOUSANDS)	DEC. 31, 2022	Increase	Decrease	JUNE 30, 2023
GROSS CARRYING AMOUNT				
Intangible assets	3,138	10	(6)	3,142
Intangible assets in progress	13	19	(13)	19
TOTAL GROSS CARRYING AMOUNT OF INTANGIBLE ASSETS	**3,151**	**29**	**(19)**	**3,161**
DEPRECIATION, AMORTIZATION AND IMPAIRMENT				
Intangible assets	(3,074)	(26)	7	(3,093)
TOTAL DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS	**(3,074)**	**(26)**	**7**	**(3,093)**
NET BOOK VALUE OF INTANGIBLE ASSETS	**77**	**3**	**(12)**	**68**

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

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Research and development expenses	14	13
General and administrative expenses	6	7
TOTAL DEPRECIATION EXPENSES FOR INTANGIBLE ASSETS	**20**	**20**

NOTE 9 NON-CURRENT FINANCIAL ASSETS

(IN € THOUSANDS)	DEC. 31, 2022	Increase	Change in fair value through the income statement	Decrease	JUNE 30, 2023
FAIR VALUE					
Non-consolidated equity securities without significant influence :	**210**	**-**	**-**	**-**	**210**
■ Vaxxel SAS	210	-	-	-	210
Other financial assets	**1,463**	**6**	**-**	**(304)**	**1,165**
FAIR VALUE	**1,673**	**6**	**-**	**(304)**	**1,375**

The value of Vaxxel SAS shares remained unchanged as of June 30, 2023.
The Company holds 7% of Vaxxel SAS.

The decrease in other financial assets relates mainly to repayment of the holdback to guarantee the bank financing of the 2019 research tax credit in the amount of €331 thousand.

NOTE 10 OTHER NON-CURRENT ASSETS

(IN € THOUSANDS)	JUNE 30, 2023	DEC. 31, 2022
RTC, non-current portion	10,368	6,873
Prepaid expenses, non-current portion	54	38
Other non-current assets	95	92
TOTAL OTHER NON-CURRENT ASSETS	**10,517**	**7,003**

RESEARCH TAX CREDIT (RTC)

As of June 30, 2023, the Company had a receivable of €10,368 thousand for the RTC (including €3,495 thousand for the 2023 RTC and €6,873 thousand for the 2022 RTC).

These receivables can be used to offset income tax payments. Given the absence of taxable income, these receivables are reimbursed after three years by the French tax authorities.

NOTE 11 FINANCIAL LIABILITIES

The following table breaks down financial liabilities by maturity:

(IN € THOUSANDS)	JUNE 30, 2023	DEC. 31, 2022
Financial liabilities, current portion	1,750	1,192
Financial liabilities, non-current portion	11,570	12,327
TOTAL FINANCIAL LIABILITIES	**13,320**	**13,519**

As of June 30, 2023, the main financial liabilities concerned property leasing (registered office and main research and development laboratories) and conditional advances received by Bpifrance under the ADNA and NEOVIVA subsidized programs.

11.1 FINANCIAL LIABILITIES, CURRENT PORTION

(IN € THOUSANDS)	JUNE 30, 2023	DEC. 31, 2022
Property leasing	1,603	1,004
Equipment leasing	147	188
TOTAL FINANCIAL LIABILITIES, CURRENT PORTION	**1,750**	**1,192**

11.2 FINANCIAL LIABILITIES, NON-CURRENT PORTION

(IN € THOUSANDS)	JUNE 30, 2023	DEC. 31, 2022
Property leasing	-	1,094
Equipment leasing	90	163
Interest rate swap – fair value	-	3
Conditional advances	11,480	11,067
TOTAL FINANCIAL LIABILITIES, NON-CURRENT PORTION	**11,570**	**12,327**

PROPERTY LEASING

In 2008, Transgene invested in a building housing labs and offices on the Illkirch-Graffenstaden site, on the outskirts of Strasbourg. Land and construction costs for the 6,900 m2 building totaled €15.6 million. This investment was financed by a 15-year lease, signed with a banking consortium in October 2007, with a residual value of €1.1 million. The final lease payment will be made in the first half of 2024. The balance of the principal to be repaid as of June 30, 2023 was €1,603 thousand, due entirely under short-term finance.

EQUIPMENT LEASING

As of June 30, 2023, Transgene owned one piece of equipment under a financial lease. The remaining financial commitment on this financial lease was €237 thousand as of June 30, 2023 (of which €147 thousand due in the short term).

CONDITIONAL ADVANCES

ADNA

As of June 30, 2023, conditional advances referred mainly to conditional advances received under the ADNA (“Advanced Diagnostics for New Therapeutic Approaches”) program, which receives public financing from Bpifrance to develop two products, including TG4001. This program ended on December 31, 2016. Transgene received a total of €15,942 thousand in conditional advances under this program.

As of June 30, 2023, the liability consisting of conditional advances in the Company’s balance sheet amounted to €9,834 thousand. At each closing, the Company revalues its conditional advances received under the ADNA program in accordance with the discounted expected future reimbursements. As of June 30, 2023, the effective interest rate used was 7.5%.

The reimbursement of advances is subject to the fulfillment of an income threshold on the TG4001 product predetermined for the following five years, and in proportion to the income from these products until a reimbursement ceiling is reached, or up until 2035. The expected future reimbursement flows are therefore estimated on the basis of an evaluation of the future direct and indirect income associated with TG4001 during its development.

Other assumptions taken into account by Management in the valuation of the conditional advances liability include :
- 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 effective interest rate of future cash flows.

As of June 30, 2023, the assumptions used by Management had not changed compared to December 31, 2022, 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, 2022 remain appropriate.

The change as of June 30, 2023 is due to the discounting of future cash flows and the change in the US dollar exchange rate.

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 €4.4 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 €1.6 million;
- the financial terms associated with a potential partnership show that a 10% increase in the partnership budget would have an upward impact of €1.6 million on the value of the liability. A 10% decrease of this envelope would have no impact on the value of the liability;
- a 1% decrease in the discount rate would increase the liability by €1.1 million and a 1% increase in the discount rate would decrease the liability by €1.0 million.

NEOVIVA

Under the NEOVIVA program, signed in March 2019, Transgene could receive conditional advances of €2,372 thousand.

As of June 30, 2023, the Company had received €2,015 thousand in respect of this program. Based on the Company's financing rate, the fair value of this liability as of June 30, 2023 was estimated at €1,646 thousand.

NOTE 12 PROVISIONS

(IN € THOUSANDS)	DEC. 31, 2022	PROVISIONS	RETAINED EARNINGS	REVERSALS NOT APPLICABLE	USE OF THE PROVISION	JUNE 30, 2023
Provisions for risks	6	1	-	-	-	7
Provisions for expenses	17	1,264	-	-	(207)	1,074
TOTAL PROVISIONS	**23**	**1,265**	**-**	**-**	**(207)**	**1,081**

In the first half of 2023, the Company decided to terminate its infectious diseases activity and consequently to close its site in Lyon. This decision impacts eight employees. At June 30, 2023, the provision for accrued expenses related to this site closure amounted to €1,063 thousand.

NOTE 13 OTHER LIABILITIES

OTHER CURRENT LIABILITIES

(IN € THOUSANDS)	JUNE 30, 2023	DEC. 31, 2022
Tax and social liabilities	3,245	3,608
Prepaid income of which :	109	986
• Income from collaboration and licensing	-	854
• Research and development grants	-	-
• Other	109	132
Other short-term liabilities	8	8
TOTAL OTHER CURRENT LIABILITIES	**3,362**	**4,602**

The decrease in prepaid income corresponds to the recognition of the balance of revenue related to the collaboration with AstraZeneca. In the first half of 2023, the Company recognized all of the income that remained to be recognized, i.e. €807 thousand, following AstraZeneca's decision in May 2023 to terminate the collaboration. In 2019, Transgene received €8.9 million (US$10 million) upon signing a collaboration agreement with exclusive licensing options to co-develop oncolytic immunotherapies.

OTHER NON-CURRENT LIABILITIES

(IN € THOUSANDS)	JUNE 30, 2023	DEC. 31, 2022
Tax and social liabilities	-	181
Prepaid income of which :	-	23
• Revenue from research and development collaboration	-	23
• Research and development grants	-	-
• Other	-	-
Other long-term liabilities	-	-
TOTAL OTHER NON-CURRENT LIABILITIES	**-**	**204**

NOTE 14 EMPLOYEE BENEFITS

PROVISIONS FOR RETIREMENT BENEFIT OBLIGATIONS

In accordance with French law, Transgene participates in the financing 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 lump-sum retirement benefit payable to employees in France upon retirement. The compensation benefits are due only to employees on Transgene's payroll at the time of retirement. The assumptions used to calculate these provisions for retirement are as follows:

(IN € THOUSANDS):	JUNE 30, 2023	DEC. 31, 2022
Discount rate	3,60 %	3,60 %
Expected long-term inflation rate	1,90 %	1,90 %
Rate of future salary increases	3,50 %	3,50 %
Retirement age :		
• managers :	65 years	65 years
• non-managers :	63 years	63 years
TOTAL PROVISIONS FOR RETIREMENT BENEFITS	**3,154**	**3,282**

The application of the pension reform approved in 2023 has no significant impact on the amount of the provision.

NOTE 15 EQUITY

15.1 SHARE CAPITAL

At June 30, 2023, the number of outstanding shares of Transgene was 100,850,273, representing share capital of €50,425,136.50.

In the first half of 2023, three free share allocations vested for 642,202 new shares.

During the first half of 2023, no allocation of free shares was authorized.

15.2 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, 2023	JUNE 30, 2022
BASIC EARNINGS PER SHARE		
Available net profit (in € thousands)	(15,902)	(15,279)
Average number of shares outstanding	99,796,514	98,799,849
BASIC EARNINGS PER SHARE (IN €)	**(0.16)**	**(0.15)**
DILUTED EARNINGS PER SHARE (IN €)	**(0.16)**	**(0.15)**

In the first halves of 2022 and 2023, financial instruments granting the right to deferred capital (free shares) were considered anti-dilutive since they led to an increase in net earnings per share (decrease in the loss per share).

15.3 STOCK OPTION PLANS

Transgene did not grant any new stock options during the first half of 2023 and there were no stock option plans as of June 30, 2023. Thus, the cost of services rendered, recognized as an expense over the vesting period, was zero in the first half of 2023, as in the first half of 2022.

15.4 FREE SHARE PLANS

In the first half of 2023, no free shares were allocated. As of June 30, 2023, 635,795 free shares had not yet vested. The total number of free shares granted and not yet vested was 1,880,579 shares as of December 31, 2022.
The cost of services rendered is recognized as an expense over the vesting period. In the first half of 2023, the Company recognized income of €6 thousand compared to an expense of €1,810 thousand in the first half of 2022, excluding the URSSAF contribution. The expense related to share-based payments decreased significantly following the departures that occured in the 2023 fiscal year and the end of several significant plans in the first half of 2022.

The Company had definitively allocated 2,432,737 shares and allocated 247,274 new free shares in the first half of 2022.

NOTE 16 OPERATING INCOME

16.1 REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Revenue from research and development collaboration	1,156	2,298
License fees and royalties	-	-
TOTAL REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS	**1,156**	**2,298**

Revenue from research and development collaboration amounted to €1,156 thousand in the first half of 2023, compared to €2,298 thousand in the first half of 2022. It came mainly from the collaboration with AstraZeneca.

In the first half of 2023, AstraZeneca informed Transgene of its decision to terminate the collaboration. Over the period, the income recognized under this collaboration agreement was €1,119 thousand. This amount corresponds to €807 thousand in recognition of the balance of the initial payment (€8.9 million) that the Company recognized as revenue based on the activity carried out over the period in question. The Company also recognized €312 thousand for R&D services during the period.

16.2 GOVERNMENT FINANCING FOR RESEARCH EXPENDITURE

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Research subsidies	-	-
Research tax credit, net	3,465	3,674
TOTAL GOVERNMENT FOR RESEARCH EXPENDITURE	**3,465**	**3,674**

The gross research tax credit, excluding advisory fees, for the first half of 2023, was €3,495 thousand.

16.3 OTHER INCOME

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Other income	142	115
TOTAL OTHER INCOME	**142**	**115**

NOTE 17 OPERATING EXPENSES

17.1 RESEARCH AND DEVELOPMENT EXPENSES

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Payroll costs	5,778	6,027
Share-based payments	387	998
Intellectual property expenses and licensing costs	409	486
External expenses for clinical projects	3,574	3,544
External expenses for other projects	1,623	2,363
Operating expenses	3,024	2,753
Depreciation and provisions	774	803
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	**15,569**	**16,974**

17.2 GENERAL AND ADMINISTRATIVE EXPENSES

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Payroll costs	1,544	1,730
Share-based payments	(393)	812
Fees and administrative expenses	1,304	916
Other general and administrative expenses	768	455
Depreciation and provisions	29	31
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	**3,251**	**3,944**

Share-based payments generated income of €393 thousand as of June 30, 2023, compared with an expense of €812 thousand as of June 30, 2022. The expense related to share-based payments decreased significantly following the departures that occured in the 2023 fiscal year and the end of several significant plans in the first half of 2022.

17.3 OTHER EXPENSES

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Net of disposals of fixed assets	31	4
Other expenses	1,245	-
TOTAL OTHER EXPENSES	**1,276**	**4**

Other expenses correspond to €1,264 thousand in expenses estimated as of June 30, 2023 following the decision to close the Lyon site.

NOTE 18 FINANCIAL INCOME/(LOSS)

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Investment income	249	51
Cost of debt	(39)	(32)
COST OF DEBT NET OF INVESTMENT INCOME	**210**	**19**
Other financial income/(expenses)	(727)	(661)
Foreign exchange gains/(losses)	(52)	198
OTHER FINANCIAL INCOME/(EXPENSES)	**(779)**	**(463)**
TOTAL FINANCIAL INCOME/(LOSS)	**(569)**	**(444)**

OTHER FINANCIAL INCOME/(EXPENSES)

The discounting of the ADNA debt generated a financial expense of €355 thousand in the first half of 2023, compared to €507 thousand in the first half of 2022.

NOTE 19 INCOME TAX EXPENSES

19.1 CURRENT TAXES

Since the Company is in a tax loss position, its current income tax expense is zero. The United States and Chinese subsidiaries did not recognize any current tax income or expense in 2022 and 2023

19.2 DEFERRED TAXES

No net deferred tax assets were recognized as of June 30, 2023, as deferred tax assets were not recognized due to the uncertainty of taxable income in the next three years.

NOTE 20 PERSONNEL

20.1 WORKFORCE

The Company had 164 employees as of June 30, 2023.

AS OF JUNE 30, 2023	MEN	WOMEN	TOTAL
Managers	47	68	115
Non-managers	14	35	49
TOTAL WORKFORCE	**61**	**103**	**164***

**Including 143 permanent contracts as of June 30, 2023*

The Company had 168 employees as of December 31, 2022.

20.2 PAYROLL COSTS

Payroll costs included in the Company's income statement (payroll, taxes, pension costs, ancillary costs) were distributed as follows:

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Research and development expenses	5,778	6,027
General and administrative expenses	1,544	1,730
TOTAL PAYROLL COSTS	**7,322**	**7,757**

Expenses relating to share-based payments amounted to:

(IN € THOUSANDS)	JUNE 30, 2023	JUNE 30, 2022
Research and development expenses	387	998
General and administrative expenses	(393)	812
TOTAL SHARE-BASED PAYMENTS	**(6)**	**1,810**

NOTE 21 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 €3,627 thousand as of June 30, 2023. Interest income as of June 30, 2023 was €204 thousand.

The table below does not include these cash items.

JUNE 30, 2023 (IN € THOUSANDS)	RECEIVABLES	PAYABLES
ABL Europe SAS	25	561
bioMérieux, Inc.	-	19
bioMérieux SA	-	-
Institut Mérieux	11	-
Mérieux Université	-	-
TOTAL AFFILIATED COMPANIES	**36**	**580**

JUNE 30, 2023 (IN € THOUSANDS)	RECEIVABLES	PAYABLES
ABL Europe SAS(1)	143	1,640
bioMérieux, Inc,(2)	-	311
bioMérieux SA	-	1
Institut Mérieux(3)	-	74
Mérieux Université	1	-
TOTAL AFFILIATED COMPANIES	**144**	**2,026**

(1)Expenses related to the agreements for production services provided to Transgene by ABL Europe.
(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.

NOTE 22 OFF-BALANCE SHEET COMMITMENTS

The Company signed a research tax credit sale agreement with a credit institution for each of its 2020 and 2021 RTC and no longer has any receivables due from the French State. The Company therefore received, respectively, €6,034 thousand and €6,675 thousand for the 2020 and 2021 RTC (representing 95% financing). As this type of contract is deconsolidating, no liability is recognized in respect of this financing received. However, the Company remains responsible for the amounts declared in the event of a tax audit.

Transgene is also bound by contracts with subcontractors. That could have an impact over several accounting periods. As of June 30, 2023, the Company estimated the current value of its financial commitments under these agreements to be approximately €15 million. These commitments equal in amount the cash still to be spent on contracts signed to date.

Under licensing or option agreements, third parties have promised to make milestone payments or pay royalties to the Company that are dependent upon future events whose probability remains uncertain as of the reporting date. 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 reporting date.

NOTE 23 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 24 BREAKDOWN OF ASSETS AND LIABILITIES BY MATURITY

JUNE 30, 2023 ASSETS (IN € THOUSANDS)	NET AMOUNT	ONE YEAR OR LESS	MORE THAN ONE YEAR
Financial assets	1,165	628	537
Trade receivables	1,254	1,254	-
Research tax credit (RTC)	10,368	-	10,368
Government, VAT and other local authorities	637	637	-
Personnel and related accounts	30	30	-
Prepaid expenses	2,168	2,114	54
Grant receivable	17	17	-
Other receivables	14,407	14,312	95
TOTAL ASSETS BY MATURITY	**30,046**	**18,992**	**11,054**

JUNE 30, 2023 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	6,674	6,674	-	-
Property leasing	1,603	1,603	-	-
Equipment leasing	237	147	90	-
Conditional advances	11,480	-	1,646	9,834
Provisions	1,081	736	345	-
Provisions for retirement	3,154	448	1,004	1,702
Accrued employee benefits and tax expense	3,245	3,245	-	-
Prepaid income	109	109	-	-
Other liabilities	8	8	-	-
TOTAL LIABILITIES BY MATURITY	**27,591**	**12,970**	**3,085**	**11,536**

NOTE 25 HEDGING OPERATIONS

Since 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 11).

As of June 30, 2023, the market value of the instrument was close to zero and the hedge will be terminated in the first half of 2024 with the end of the building lease.

NOTE 26 FINANCIAL INSTRUMENTS

JUNE 30, 2023 (IN € THOUSANDS)	ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	RECEIVABLES, PAYABLES, BORROWINGS, AT AMORTIZED COST	DERIVATIVE INSTRUMENTS	CARRYING AMOUNT	FAIR VALUE	LEVEL
FINANCIAL ASSETS						
Cash and cash equivalents	3,720	-	-	3,720	3,720	1
Other current assets	14,081	-	-	14,081	14,081	2
Other current financial assets	-	3,628	-	3,628	3,628	2
Trade receivables	-	1,254	-	1,254	1,254	-
Financial assets	210	1,165	-	1,375	1,375	3
Other non-current assets	-	95	-	95	95	3
TOTAL FINANCIAL ASSETS	**18,011**	**6,142**	**-**	**24,153**	**24,153**	
FINANCIAL LIABILITIES						
Lease commitment, long-term portion	-	90	-	90	90	2
Conditional advances	-	11,480	-	11,480	11,480	3
Non-current financial liabilities	**-**	**11,570**	**-**	**11,570**	**11,570**	**-**
Lease liabilities, current portion	-	1,750	-	1,750	1,750	2
Current financial liabilities	**-**	**1,750**	**-**	**1,750**	**1,750**	**-**
Trade payables	**-**	**6,674**	**-**	**6,674**	**6,674**	**-**
TOTAL FINANCIAL LIABILITIES	**-**	**19,994**	**-**	**19,994**	**19,994**	

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 27 EVENTS AFTER THE REPORTING PERIOD

On July 10, 2023, the Company received US$15,292 thousand in respect of the disposal of its Tasly BioPharmaceuticals shares (see Notes 5 and 6).

On September 20, 2023, the Company signed a current account advance agreement with TSGH for €36 million. The Company will be able to use this financing according to its cash requirements. The term of this agreement is 24 months, and the amounts advanced must be repaid no later than September 20, 2025. TSGH may use the sums advanced to pay up all or part of the subscription to a Transgene capital increase. This current account advance will bear interest at the average monthly rate of 3-month Euribor plus 1% per year, up to the maximum tax-deductible rate.

2.

HALF-YEAR MANAGEMENT REPORT

2.1 KEY EVENTS AND UPCOMING MILESTONES

THERAPEUTIC CANCER VACCINES

TG4050: BASED ON STRONG IMMUNOLOGICAL DATA FROM RANDOMIZED PHASE I TRIAL, TRANSGENE IS PREPARING A RANDOMIZED PHASE II TRIAL IN HEAD AND NECK CANCER

New highly promising data were presented on TG4050 at AACR and ASCO 2023 (see poster here). These data show that this **individualized neoantigen cancer vaccine** can induce strong immune responses, which are expected to result in longer remission periods for patients.

The initial data from the randomized Phase I trial in the adjuvant treatment of head and neck cancer (NCT04183166) **showed that all evaluable patients developed a robust and specific immune response against multiple cancer neoantigens** (median of 9 positive responses per patient out of approximately 30 targets) **after treatment with TG4050 and remained disease-free.**

These T-cell responses were observed for class I and class II epitopes, consisting of both de novo responses and amplifications of preexisting responses. These data suggest that TG4050 can boost the immune system of patients in the absence of pretreatment response and despite a challenging tumor microenvironment at the time of tumor resection.

Transgene hosted a key opinion leader (KOL) event with the participation of Professor Christian Ottensmeier, MD, PhD, FRCP (University of Liverpool, La Jolla Institute for Immunology) who highlighted the unmet medical need in head and neck cancer and the potential of a virus-based immunotherapy such as TG4050.

The last patient has been randomized in the head and neck cancer Phase I study. **Transgene and its partner NEC plan to report updated data in H1 2024.**

Transgene and NEC intend to start a randomized Phase II trial in the adjuvant setting of head and neck cancer in 2024.

TG4001: IMMUNOLOGICAL DATA PRESENTED AT THE ASCO 2023 CONFERENCE

Promising results from the previous Phase I/II trial evaluating TG4001 in combination with an immune checkpoint inhibitor were published in the September 2023 issue of the European Journal of Cancer (https://doi.org/10.1016/j.ejca.2023.112981). This study showed that TG4001 in combination with avelumab is safe and demonstrated antitumor activity in heavily pretreated HPV16+ cancer patients. It also served as the basis for the ongoing randomized Phase II trial.

Transgene's ongoing randomized Phase II trial evaluating TG4001 in HPV-positive anogenital **cancers** is currently enrolling patients. This study compares TG4001 in combination with avelumab vs. avelumab alone (NCT03260023).

New immunological data from TG4001 were presented in a poster at ASCO (see poster here).

Key updates on the Phase II trial include:

- The immunological data confirm that **TG4001 can induce *de novo* immune responses against HPV16 antigens** E6 and E7 in patients with advanced HPV16-positive anogenital cancers. Patients with complete objective response showed strong vaccine-induced immunoreactivity.
- Over recent months, Transgene has seen a slowdown of patient inclusions in this study following the availability of new treatments options, in particular in cervical cancer. Transgene is assessing all options to ensure data read out in 2024 from the trial as previously communicated.
- Despite the recent availability of new treatment options, there remains a strong medical need in HPV-positive cancers, including cervical cancer. Based on the compelling data generated by TG4001 and the evolving treatment landscape, Transgene is currently in discussion with key stakeholders to define the optimal path forward to continue its development in the most appropriate target patient population.

ONCOLYTIC VIRUSES

Clinical data presented at AACR 2023 confirmed the mechanism of action and the safety of our Invir.IO® based oncolytic viruses, which offer a key competitive advantage with the ability to be administered intravenously. **These findings support the potential of Invir.IO®-based oncolytic viruses, which have possible applications in a broad range of solid tumors, via intravenous, locoregional and intratumoral administration.**

BT-001: POSITIVE SINGLE AGENT DATA — PART B OF THE PHASE I TRIAL (COMBINATION WITH PEMBROLIZUMAB) TO START IN H2 2023

Transgene and partner BioInvent have communicated positive data from Part A (monotherapy) of the ongoing Phase I trial in May 2023 (NCT04725331). Out of 18 patients who received escalating doses of BT-001, two showed a decrease of injected lesion size of 50% or more, and eleven had a stabilization of the injected lesion. No safety concerns were reported.

Part B of the Phase I trial in combination with pembrolizumab (KEYTRUDA®) will include patients in H2 2023. KEYTRUDA® is provided by MSD (Merck & Co).

TG6050: FIRST PATIENT TREATED WITH NOVEL INVIR.IO® CANDIDATE DESIGNED TO EXPRESS IL-12 AND ANTI-CTLA4 ANTIBODY AND ADMINISTERED INTRAVENOUSLY

In May 2023, a first patient was dosed with TG6050, a novel oncolytic virus from the Invir.IO® platform. This innovative candidate has been designed to express human IL-12, a cytokine known to trigger a potent antitumor immune response, and an anti-CTLA4 antibody. The Phase I Delivir trial (NCT05788926) is evaluating TG6050 in patients with advanced non-small cell lung cancer who have failed standard therapeutic options. **Completion of the trial is expected in H2 2024.**

As announced on May 5, 2023, AstraZeneca terminated its oncolytic virus research and development collaboration with Transgene following a strategic review of its pipeline.

NEW LEADERSHIP STRUCTURE APPOINTED TO ACCELERATE THE DEVELOPMENT OF TRANSGENE'S INNOVATIVE IMMUNOTHERAPY PORTFOLIO

On May 5, 2023, Transgene announced its **Board of Directors' decision to appoint Dr. Alessandro Riva, MD, as the Company's new Chairman and CEO.** Alessandro Riva, who started as new CEO on June 1, 2023, has been the Chairman of the Company's Board of Directors since May 2022. Dr. Riva has an outstanding track record in the pharmaceutical and biotechnology industry, with responsibility for the approval of personalized oncology treatments in the US and in Europe, in particular CAR-T cell therapies.

In addition, on May 5, 2023, the Combined General Meeting adopted all resolutions recommended by the Board of Directors, including the **appointment of Carol Stuckley, MBA, as an independent Director of the Company**. Carol Stuckley brings more than 35 years of experience as a strategic and international financial executive, with proven success leading finance teams and creating shareholder value for healthcare companies. Hedi Ben Brahim resigned from the Board of Directors on September 19, 2023.

In March 2023, Transgene appointed **Dr. John C. Bell and Dr. Pedro Romero, key opinion leaders in cancer immunotherapy, as key scientific advisors**. John C. Bell is an internationally renowned expert in using oncolytic viruses. Pedro Romero is an honorary professor at the University of Lausanne, focusing on tumor immunology and cancer immunotherapy, particularly on the biology and dynamics of cytolytic CD8 T lymphocyte (CTL) responses. He has also been Editor-in-Chief of the Journal for ImmunoTherapy of Cancer.

2.2 FINANCIAL RESULTS

OPERATING INCOME

The table below breaks down operating income for the first half of 2023 compared to the first half of 2022:

IN € MILLIONS	JUNE 30, 2023	JUNE 30, 2022
Revenue from collaborative and licensing agreements	1.2	2.3
Government financing for research expenditure	3.5	3.7
Other income	0.1	0.1
OPERATING INCOME	**4.8**	**6.1**

Revenue from research and development collaboration amounted to €1.2 million in the first half of 2023, compared to €2.3 million in the first half of 2022. It came mainly from the collaboration with AstraZeneca.

In the first half of 2023, AstraZeneca informed Transgene of its decision to terminate the collaboration. Over the period, €1.1 million in income was recognized under this collaboration agreement. This amount corresponds to €0.8 million in recognition of the balance of the initial payment (€8.9 million) that the Company recognized as revenue based on the activity carried out over the period in question. The Company also recognized €0.3 million for R&D services over the period.

In the first half of 2023, government financing for research expenditure mainly consisted of the research tax credit. It amounted to €3.5 million for the first half of 2023, compared to €3.7 million for the same period in 2022. The research tax credit for the first half of 2023 was calculated on the eligible expenses as of June 30, 2023.

Other income amounted to €0.1 million in the first half of 2023, as in the first half of 2022.

OPERATING EXPENSES

Research and development (R&D) expenses amounted to €15.6 million in the first half of 2023 compared to €17.0 million for the same period in 2022.

The following table details R&D expenses by type:

IN € MILLIONS	JUNE 30, 2023	JUNE 30, 2022
Payroll costs	5.8	6.0
Share-based payments	0.4	1.0
Intellectual property expenses and licensing costs	0.4	0.5
External expenses for clinical projects	3.6	3.5
External expenses for other projects	1.6	2.4
Operating expenses	3.0	2.8
Depreciation and provisions	0.8	0.8
RESEARCH AND DEVELOPMENT EXPENSES	**15.6**	**17.0**

Payroll costs allocated to R&D (salaries, charges and related expenses) amounted to €5.8 million in the first half of 2023, compared to €6.0 million in the first half of 2022.

The cost of share-based payments amounted to €0.4 million in the first half of 2023 compared to €1.0 million in the first half of 2022. The expense of several free share plans was recorded together in the first half of 2022 and three of them vested in the first half of 2022.

Intellectual property and licensing expenses amounted to €0.4 million in the first half of 2023, compared to €0.5 million in the first half of 2022.

External expenses for clinical projects amounted to €3.6 million in the first half of 2023, compared to €3.5 million for the same period in 2022.

External expenses on other projects amounted to €1.6 million in the first half of 2023, compared to €2.4 million in the first half of 2022.

Operating expenses, including the cost of operating research and production laboratories, amounted to €3.0 million in the first half of 2023, compared with €2.8 million for the same period in 2022.

General and administrative expenses totaled €3.3 million in the first half of 2023 compared to €3.9 million for the same period in 2022.

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

IN € MILLIONS	JUNE 30, 2023	JUNE 30, 2022
Payroll costs	1.6	1.7
Share-based payments	(0.4)	0.8
Fees and administrative expenses	1.3	0.9
Other general and administrative expenses	0.8	0.5
Depreciation and provisions	-	-
GENERAL AND ADMINISTRATIVE EXPENSES	**3.3**	**3.9**

Payroll costs represented €1.6 million in the first half of 2023, compared to €1.7 million over the same period in 2022.

Share-based payments generated income of €0.4 million in the first half of 2023, compared to an expense of €0.8 million in the first half of 2022. The expense related to share-based payments decreased significantly following the departures that occured in the 2023 fiscal year and the end of several significant plans in the first half of 2022.

Management fees and expenses amounted to €1.3 million in the first half of 2023 as in the first half of 2022.

■ FINANCIAL INCOME/(LOSS)

Net financial income/(loss) amounted to a loss of €0.6 million in the first half of 2023 compared to a loss of €0.4 million for the same period in 2022.

■ NET INCOME/(LOSS)

The overall net loss amounted to €15.9 million in the first half of 2023 compared to a loss of €15.3 million for the same period in 2022.

The net loss per share was €0.16 for the first half of 2023, compared to €0.15 for the same period in 2022.

INVESTMENTS

Investments in tangible and intangible assets (net of disposals) amounted to €1.5 million in the first half of 2023, compared to €0.5 million in the first half of 2022.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2023, Transgene had €7.3 million in cash and other current financial assets, compared to €26.8 million as of December 31, 2022.

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 €19.5 million in the first half of 2023, compared with €6.8 million for the same period in 2022.

Following the signature on September 20, 2023 of the €36 million current account advance agreement with TSGH, Transgene has a financial visibility until the end of 2024.

2.3 MAIN RELATED-PARTY TRANSACTIONS

This information is disclosed in Note 21 of the 2023 interim financial information published herein.

2.4 EVENTS AFTER THE REPORTING PERIOD

On July 10, 2023, the Company received US$15,292 thousand in respect of the disposal of its Tasly BioPharmaceuticals shares.

On September 20, 2023, the Company signed a current account advance agreement with TSGH for €36 million. The Company will be able to use this financing according to its cash requirements. The term of this agreement is 24 months, and the amounts advanced must be repaid no later than September 20, 2025. TSGH may use the sums advanced to pay up all or part of the subscription to a Transgene capital increase. This current account advance will bear interest at the average monthly rate of 3-month Euribor plus 1% per year, up to the maximum tax-deductible rate.

3.

STATUTORY AUDITORS' REVIEW REPORT ON THE 2023 INTERIM FINANCIAL INFORMATION

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67300 Schiltigheim

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69463 Lyon cedex 06

Transgene S.A. For the period from January 1 to June 30, 2023

Statutory Auditors' Review Report on the Half-yearly Financial Information

To the Shareholders,

In compliance with the assignment entrusted to us by your general assembly 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, 2023,
- The verification of the information presented in the half-yearly management report.

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.

I. 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.

II. 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.

Strasbourg and Lyon, on September 20, 2023

KPMG S.A.
Stéphane Devin
Partner

Grant Thornton
Jean Morier
Partner

4.

DECLARATION BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL STATEMENT

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.

Alessandro Riva

Président-Directeur général