transgene

IMMUNOTHERAPY AGAINST CANCERS

# Universal Registration Document 2019

Including the Annual Financial Report

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# UNIVERSAL REGISTRATION DOCUMENT

# 2019

Transgene is a biotechnology company focused on designing and developing therapeutic vaccines ans oncolytic viruses for the treatment of cancer. Transgene's programs utilize viral vector technology with the goal of indirectly or directly killing cancer cells.

The Company's clinical-stage programs (phase 1 and 2 clinical trials) consist of: TG400, a therapeutic vaccine for the treatment of HPV-positive cancers, TG6002 an oncolytic virus for the treatment of solid tumors, and TG4050, the first individualized therapeutic vaccine based on the *myvac*® platform. BT-001, the first oncolytic virus based on the Invir.IO™ platform, expresses an anti-CTLA4 antibody and the first-in-human clinical trial should start before the end of 2020.

Transgene has two next-generation platforms that are based on its viral vector expertise.

- The *myvac*® approach allows the generation of an individualzed virus-based immunotherapy that encodes patient-specific mutations (neo-antigens).
- With its Invir.IO™ platform, Transgene is building on its viral vector engineering expertise to design a new generation of multifunctional oncolytic viruses.

Transgene also relies on strategy collaborations with prestigious players, such as AstraZeneca and Merck KGaA/Pfizer, the leader in IT NEC, and BioInvent.

The Company is based in Strasbourg, France, and has additional operations in Lyon. Transgene is listed on the regulated stock market in Paris (Euronext compartment B).

**www.transgene.fr**

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document has been filed on April 2, 2020 with the AMF, as competent authority under Regulation (EU) 2017/1129, pursuant to Article 9 of the said regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017/1129.

## LIST OF ABBREVIATIONS

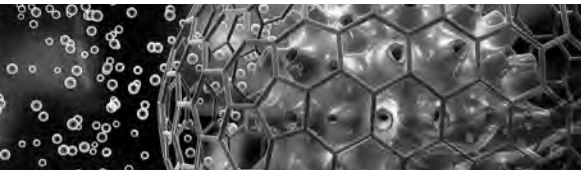
| Abbreviation | Meaning |
|---|---|
| ADN | Deoxyribonucleic Acid |
| AML | Approval for market launch |
| ANSM | *Agence nationale de sécurité du médicament et des produits de santé* (French medicines agency) |
| BMS | Bristol-Myers Squibb |
| GMP | Good manufacturing practice |
| RTC | Research tax credit (RTC) |
| CRO | Contract Research Organization |
| EMA | European Medicines Agency |
| FDA | Food and Drug administration |
| HBsAg | HBV surface antigen |
| HCC | Hepatocellular carcinoma |
| HPV | Human Papilloma Virus |
| ICI | Immune Checkpoint Inhibitor |
| IL-2 | Interleukin 2 |
| IV | Intravenous |
| MHRA | *Medicines and Healthcare Products Regulatory Agency* |
| MVA | Modified Vaccinia Ankara |
| NSCLC | Non-small cell lung cancer |
| EPO | European Patent Office |
| PD-L1 ou PD-1 | Programmed death-ligand 1, Programmed cell death 1 |
| SC | Subcutaneous |
| SCCHN | Squamous cell carcinoma of the head and neck |
| SdAbs | Single-domain antibody |
| SPA | Special protocol assessment |
| TAA | Tumor associated antigen |
| TK | Thymidine kinase |



# TRANSGENE, IMMUNO-THERAPIES TO FIGHT CANCERS

Transgene designs and develops therapeutic vaccines and oncolytic viruses for the treatment of cancer.

Our immunotherapies stimulate the immune responses of the patients to specifically target cancer cells. To achieve this goal, we integrate a comprehensive therapeutic arsenal within optimized viruses (also called viral vectors). Each part of these constructs plays a key role in the treatment of the disease by activating the immune system. Our treatment candidates use highly attenuated viral strains with an established safety profile. These viruses cannot replicate within healthy cells. Our immunotherapies can either be used as single agent or in combination with other cancer treatments.



## Did you know?

**As early as the nineteenth century, doctors noticed that patients with certain viral or bacterial infections saw their tumors stabilize or shrink. However it was not until the advent of modern genetic and protein engineering that these findings could be turned into therapeutics by optimizing viruses so that they can directly attack tumors to treat cancer.**

## Two novel immunotherapeutic classes already in clinic

### Therapeutic vaccines: induce durable and robust responses

Therapeutic vaccines aim at inducing a cascade of immune reactions that lead to the production of T cells that will be able to recognize and destroy cancer cells.

Transgene uses the MVA (Modified Vaccinia Ankara) viral vector. By integrating cancer cell-specific gene sequences into the genome of this vector, we direct the immune response against the tumor cells that carry these same sequences.

With *myvac*®, Transgene has developed an innovative platform to create individualized immunotherapies based on neoantigens, specific mutations that are found in the tumors of each patient.

### Oncolytic viruses: directly target and destroy cancer cells

Oncolytic viruses are a promising therapeutic class. By fighting the tumors on several fronts, they are expected to provide a better efficacy.

These viruses selectively multiply in cancer cells and induce their breakdown (a process called cell lysis). This process is also involved in activating the patient's immune system.

Multifunctional oncolytic viruses have been optimized to embark a variety of anticancer weapons, such as cytokines, antibodies and enzymes. Transgene's proprietary platform, Invir.IO™, is dedicated to the design and development of this new generation of oncolytic viruses.

# A DIVERSIFIED IMMUNOTHERAPY PORTOFOLIO

## TG6002

**TG6002 is the next generation of oncolytic immunotherapy. It has been designed to combine its oncolytic properties with a local cancer chemotherapy by enabling the expression of the FCU1 gene in the cancer cells it has infected.**

The expression of the patented FCU1 gene allows the local production of 5-FU, a chemotherapy commonly used to treat gastrointestinal tumors.

## TG4001

**TG4001 is a therapeutic vaccine that targets the E6 and E7 antigens of the papillomavirus (HPV16).**

Transgene presented at ESMO 2019 the first promising efficacy results of TG4001 in combination with avelumab in patient with HPV-positive cancers.

## BT-001

**BT-001 is an optimized oncolytic virus that will induce the expression of an anti-CTLA4 antibody and a human cytokine directly in the tumor.**

Co-developed with BioInvent, BT-001 is the first candidate product derived from the Invir.IO™ platform and is expected enter the clinic in 2020.

## TG4050

**TG4050 is a personalized immunotherapy.**

It is designed for each patient, based on the mutations identified by sequencing tumor tissue using the *myvac*® technology platform and NEC's artificial intelligence.

## 5 oncolytic viruses

**Transgene is collaborating with Astrazeneca to co-develop five multi-armed oncolytic viruses based on the Invir.IO® platform.**

Transgene will provide its optimized Vaccinia virus integrating the double deletion TK-RR- and proceed to the *in vitro* preclinical development of the candidates. Astra-Zeneca will drive *in vivo* preclinical development Astrazeneca can exercise an option on each of the five candidates.

| PRODUCT | INDICATION | PRECLINICAL | CLINICAL PHASE 1 | CLINICAL PHASE 2 | CLINICAL PHASE 3 |
|---|---|---|---|---|---|
| **THERAPEUTIC VACCINES** | | | | | |
| TG4001 | Recurrent HPV - positive cancers | + avelumab | | | Pfizer Merck* |
| TG4050 | Ovarian cancer (myvac) | | | | Orchestrating a brighter world NEC |
| | Head & neck cancers (myvac) | | | | |
| **ONCOLYTIC VIRUSES** | | | | | |
| TG6002 | Colorectal cancer - IV Route | | | | ** |
| | Colorectal cancer - IHA Route | | | | |
| BT-001 | Solid tumors (invir IO) | | | | BioInvent* |
| Proprietary developments | Solid tumors (invir IO) | | | | |
| 5 oncolytic viruses | Confidential targets (invir IO) | | | | AstraZeneca* |

* Research/clinical collaboration ** Chinese rights acquired by Tasly Biopharmaceuticals

# NEW GENERATIONS OF IMMUNOTHERAPIES

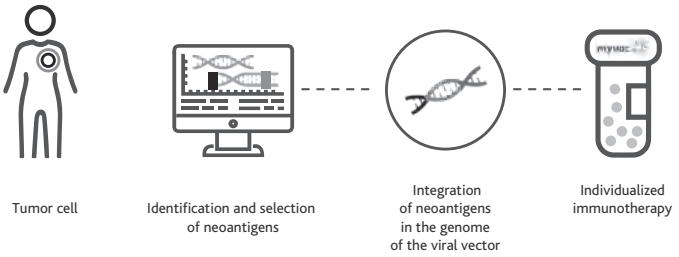
## Invir.IO™, A NEW GENERATION OF ONCOLYTIC VIRUSES TO BETTER FIGHT AGAINST TUMORS

Our proprietary oncolytic virus (OV) platform Invir.IO™ allows us to design a **new generation of immunotherapies.** These innovative multifunctional OVs combine multiple mechanisms of action and are equipped with several complementary anti-cancer "weapons".

An OV has the ability to selectively multiply in cancer cells but not in normal cells. Like a Trojan horse, the OV will allow the production of its anticancer weapons within the tumor. These different mechanisms lead to the destruction of tumor cells and to the activation of the patient's immune system. To design these **multifunctional viruses**, Transgene capitalizes on its expertise in viral vector engineering and can rely on collaborations.

This patented technology has already generated several preclinical-stage candidates. The first Invir.IO™ oncolytic virus is armed with an anti-CTLA4 antibody; it is codeveloped with BioInvent and could enter the clinic as early as 2020. Also, Transgene and AstraZeneca **signed a collaborative research agreement** to **co-develop five multi-armed oncolytic viruses from the Invir.IO™ platform.**

## *myvac*®, ONE PATIENT, ONE CANCER, ONE VACCINE




With *myvac*®, Transgene enters the field of **individualized immunotherapies**. Our approach is based on the MVA viral vector, which has already been validated in clinical trials. *myvac*® is designed **to stimulate and educate the patient's immune system to recognize and destroy tumors using their own cancer specific genetic mutations.** The neoantigens, which are the basis for the *myvac*® approach, are identified by sequencing and selected using NEC's Artificial Intelligence technologies, and they are integrated into the genome of the viral vector. Once administered to the patient, *myvac*® triggers a cascade of immune responses against a variety of targets found in the cancer cells.

To create this promising treatment, Transgene has set up an **innovative network** that covers **bioengineering, digital transformation, genomics, translational data, and our established vectorization know-how.** Together, NEC, Institut Curie, HalioDx, Traaser and Transgene have tackled and overcome scientific and technical challenges. Transgene has also set up a unique in-house GMP production unit. This project has been granted an "Investments for the Future" funding from Bpifrance.

In collaboration with NEC, TG4050, is the first product candidate from *myvac*®. **The clinical trials started in 2020** in the treatment of ovarian cancer and head and neck cancers.

# CHAIRMAN'S MESSAGE

## PHILIPPE ARCHINARD

> We use scientific and technological innovation to improve on the limitations of existing treatments and create new drugs that are accessible to as many patients as possible.

Dear Madam, Dear Sir, Dear Shareholders,

**Today, one in six deaths is due to cancer.** Worldwide, this represents 19 million premature deaths per annum. Despite recent progress in medicine and better accessibility to healthcare, the number of cancer cases is expected to more than double over the next twenty years[1].

Transgene's mission is centered on addressing this major global healthcare need by providing new therapeutic options to cancer patients. **We use scientific and technological innovation to improve on the limitations of existing treatments and create new drugs that are accessible to as many patients as possible. This is our aim with our immunotherapy products, particularly *myvac*® and Invir.IO™, Transgene's two next-generation platforms, which are at the forefront of precision medicine.**

**Each patient is unique and the tumor affecting them is specific;** to address this we have designed *myvac*®, a customized treatment for each patient. The analysis of tumor mutations is very complex, due to the large amount of data and number of parameters to analyze. We have joined forces with the Japanese electronics giant, NEC. This is allowing us to integrate their first-class artificial intelligence capabilities to select the most relevant characteristics that will be included in our therapeutic vaccines. We have overcome numerous technical and scientific challenges to develop this novel individualized treatment. In 2019, we obtained the regulatory authorizations needed in France, the U.S. and the U.K. to begin our clinical development plan for *myvac*®. In January 2020, we included the first patients in two clinical trials, thanks to the support from clinicians who see myvac® as offering a new hope for their patients, whose current treatment options are sub-optimal.

**The tumor constitutes an ecosystem** against which the body's normal immune defenses are often powerless; with Invir.IO™, we are able to create oncolytic viruses which can alter this ecosystem allowing the immune defenses to be more effective. Some drugs are highly active against tumors, but they have an unacceptable level of side effects; by using an Invir.IO™ oncolytic virus as a Trojan horse, we can express these drugs specifically in the tumor, at doses that are effective, and which have much reduced side effects due to the much lower level circulating in the patient's body. We have identified relevant anticancer weapons approaches and we have recognized know-how in integrating them into oncolytic viruses. Our agreement with AstraZeneca validates the potential of our Invir.IO™ approach. In addition, our collaboration with BioInvent, which is based on this concept, should allow us to enroll a first patient in a clinical trial at the end of 2020. To meet the challenges of therapeutic innovation, we need to be bold, ingenious, agile and able to capitalize on multiple technology capabilities. Our *myvac*® and Invir.IO™ platforms are a result of these endeavors and are a part of this momentum towards precision medicine.

We must also sometimes deal with setbacks as was the case in 2019. However, we have learned from these clinical trials findings and we remain very confident in the potential of our Invir.IO™ and *myvac*® platforms. We will continue our clinical development and research activities as we are determined to prove the real improvements in outcomes that they can deliver to patients with cancer.

PHILIPPE ARCHINARD
Chairman and Chief Executive Officer of Transgene

[1] World Health Organization (WHO) report on cancer, February 2020

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# OVERVIEW OF TRANSGENE AND ITS BUSINESS

# 1.1 SELECTED FINANCIAL DATA

| *(in € thousands, except for shares and per share data)*<br>*(Consolidated financial statements, IAS/IFRS)* | 12/31/2019 IAS/IFRS | 12/31/2018 IAS/IFRS | 12/31/2017 IAS/IFRS |
|---|---|---|---|
| **INCOME STATEMENT DATA** | | | |
| **Operating income** | **13,733** | **42,919** | **8,144** |
| Research and development expenses | (31,385) | (27,342) | (30,353) |
| General and administrative expenses | (7,134) | (6,991) | (5,674) |
| Other expenses | (668) | (1,211) | (154) |
| **Net operating expenses** | **(39,187)** | **(35,544)** | **(36,181)** |
| **Operating income/(loss)** | **(25,454)** | **7,375** | **(28,037)** |
| Net finance cost | 6,650 | (2,021) | (2,294) |
| Share of profit/(loss) of associates | - | 2,675 | (1,944) |
| **Income/(loss) before tax** | **(18,804)** | **8,029** | **(32,275)** |
| Income tax expense | - | - | - |
| **Net income/(loss)** | **(18,804)** | **8,029** | **(32,275)** |
| Diluted earnings per share | (0.23) | 0.13 | (0.52) |
| Number of shares outstanding | 83,265,464 | 62,275,923 | 62,075,190 |
| Cash, cash equivalents and other current financial assets | 43,371 | 16,900 | 41,405 |
| Total assets | 115,477 | 108,647 | 101,288 |
| Equity | 65,697 | 36,699 | 28,084 |
| Net cash flow generated by/(used in) operations | (22,413) | (28,064) | (35,066) |

# 1.2 PRESENTATION OF THE COMPANY AND ITS ACTIVITIES

## 1.2.1 Overview of operations

Transgene is a biotechnology company that designs and develops immunotherapy products against cancer. These therapies stimulate the immune defenses of patients in order to specifically target cancer cells.

To achieve this goal, Transgene integrates a comprehensive therapeutic arsenal within optimized viruses (also called viral vectors). Each part of these constructs plays a role in eliminating the tumor. This arsenal consists of genetic sequences called transgenes.

The Company has **two technology platforms** utilizing viral vector engineering (**therapeutic vaccines** and **oncolytic viruses**).

Transgene has several products in clinical development: **TG4001**, a therapeutic vaccine against HPV-positive cancers, **TG4050**, the first individualized therapeutic vaccine derived from the ***myvac***® platform, **TG6002**, an oncolytic virus: against solid tumors, and **BT-001**, an oncolytic virus based on the Invir.IO™ technology, that could enter clinic before the end of 2020.

With its proprietary **Invir.IO™** platform, Transgene builds on its expertise in viral vectors engineering to design a new generation of multi-functional oncolytic viruses. In 2019 Transgene and **AstraZeneca** signed a research agreement with exclusive licensing options in order to develop five multi-armed oncolytic viruses derived from this platform. In collaboration with **BioInvent**, Transgene is developing BT-001, an oncolytic virus armed with an anti-CTLA4 antibody and the cytokine GM-CSF.

With ***myvac***®, Transgene has developed an innovative platform to create individualized immunotherapies based on neoantigens, specific mutations that are found in the tumors of each patient. In 2019 Transgene finalized a collaboration agreement with **NEC** that will enable the integration of NEC's artificial intelligence (AI) technology into TG4050.

Transgene also carries out other research programs based on its viral vectors technology.

The Company is based in Strasbourg, France, and has additional operations in Lyon.

Transgene is listed on the regulated stock market in Paris (Euronext compartment B).

### 1.2.1.1 Business model and strategy

#### Transgene seeks to obtain proof of concept for its drug candidates in order to find partners capable of continuing their development to market

As a biotechnology company, Transgene designs and develops immunotherapy products (drug candidates or investigational drugs) against cancer. The Company owns several candidate drugs and two technological platforms (*myvac*® and Invir.IO™) deriving from its know-how in bio-engineering.

The Company's business model consists of obtaining proof of concept for the clinical effectiveness or potential of its products, primarily in order to license or sell the rights for them to pharmaceutical partners able to add value to them and handle their clinical development up to and through the marketing phase.

Partners are sought either based on clinical results (phases 1, 2 or 3) or on a preclinical proof of concept.

#### We develop new technologies that will be integrated into tomorrow's therapeutic arsenal

Cancer treatment has improved greatly in the recent years, with the registration of immunotherapy products. One of the approaches has been to improve the targeting of these tumors by taking into account their specific characteristics, such as type of tissue affected, genetic and immunological profiles, stage of growth, etc.

The Invir.IO™ and *myvac*® platforms meet this challenge with novel approaches, respectively by attacking the tumor on several fronts and by training patients' immune system to recognize their own tumor. The Invir.IO™ multi-armed oncolytic viruses and the *myvac*® personalized immunotherapies thus have the potential of integrating into tomorrow's therapeutic arsenal.

### 1.2.1.2 Nature of the business

All of the Company's activities relate to the research and development of innovative therapies.

Transgene owns an extensive intellectual property portfolio, that protects research and development activities.

## Technological platform: Our viral vectors technology enables us to design candidate drugs

Transgene utilizes viral vectors viruses in which tailored gene sequences have been inserted. The virus acts as a vector to bring these sequences into the tissues where the immune response is triggered and where the desired therapeutic modalities will be expressed. Transgene uses highly attenuated viral strains with an established safety profile.

Transgene's viral vector technology and know-how are the result of several decades of research. Today, we have a in-depth and extensive understanding of them. They are key proprietary competitive advantages for Transgene through the Invir.IO™ and *myvac*® technology platforms. This R&D process notably allows the design of new drug candidates that have the potential to enter preclinical and clinical development.

### Vectors and gene transfer

Genes are sequences of DNA and can be found in every cell. They supply the information necessary to produce proteins. The production of proteins starts in the cell's nucleus when the gene is copied. This process results in the cells producing protein.

The most used approach to date for delivering genes has involved transferring the genes with viral vectors. These are used to transfer the genetic material into the patient's cells.

The development of gene transfer methods that are reliable and adaptable is a key element in the development of effective therapies. A therapeutic gene must be included in a vector that, associated with the gene, transports it into the patient's cells. Gene transfer therapies are currently divided into two distinct approaches:

- the *in vivo* (inside the body) approach consists of directly administering to the patient a pharmaceutical compound containing the therapeutic gene and a "vector" responsible for conveying the gene to the patient's target cells, either for gene therapy purposes or to induce an immune response. Transgene products fall into this category;
- cellular, or *ex vivo* (outside the body), therapy consists of removing cells from a patient, cultivating them in the laboratory using a vector to introduce the functional gene into the cells, then re-implanting the modified cells into the patient. At present, Transgene does not develop cellular therapy products. It does have the required know-how and may contemplate developments in this field at some point in the future.

To be effective, a vector must be able to:

- transport the transgene of interest;
- transfer the gene to a sufficient number of target cells; and
- allow gene expression to produce the therapeutic protein over a sufficiently long period to ensure the success of the treatment or stimulation of the immune system.

The selected type of vector must also be safe.

Transgene's research in molecular biology techniques for gene transfer has led to the development of various vector technologies. Transgene's research programs on vector technology aim to provide vectors with features that will optimize their performance and safety through:

- the insertion capacity of the gene of interest in the most appropriate genome site;
- the generation of viral vectors able to multiply selectively in the tumors, thereby locally increasing the therapeutic protein level delivered by the gene, and the ability to be administered more than once by a systemic route (intravenous perfusion) and not only intra-tumorally;
- the ability to alter the tumor micro-environment in order to maximize the effectiveness of the immune response; and
- the search for potential interactions by combining different vectors, for more effective vaccination protocols.

*Poxviruses* are a family of viruses that includes the *Vaccinia* virus broadly used in smallpox vaccinations. They meet the aforementioned criteria in a very satisfactory manner.

The large capacity of the genome of the *Vaccinia* virus makes it an especially interesting platform, since it is possible to insert many transgenes into it while ensuring the stability of its genome.

Transgene's lead drug candidate depend on various strains of *poxvirus*, including MVA *(Modified Vaccinia virus Ankara)* for the therapeutic vaccines and the *Vaccinia Viruses* for the oncolytic viruses.

### Therapeutic vaccines

Transgene has developed vectors based on a strain of the attenuated Ankara *Vaccinia* (MVA) that does not propagate in human and mammal cells and is therefore incapable of causing an infection in humans. This strain is thus particularly safe, as demonstrated by its intensive use as a human smallpox vaccine. The MVA vector was tested in phase 2 clinical trials of anticancer vaccines. It showed high tolerability and the ability to induce a strong, broad immune response.

Transgene launched *myvac*® in 2018. With this platform, the Company entered the field of individualized immunotherapy. Our approach is based on the clinically validated MVA viral vector. *myvac*® products are designed to stimulate and educate the immune system against a patient's cancer by using the genetic mutations specific to his or her tumor (referred to as neoantigens). Once they have been identified through sequencing and selected using artificial intelligence technology, several neoantigens are then incorporated into the genome of the viral vector. Two phase 1 clinical trials of TG4050, the first candidate product derived from *myvac*®, started up in early 2020.

### Oncolytic immunotherapy

Oncolytic immunotherapy is a new class of anticancer treatments. Transgene was a pioneer in the development of replicative viruses.

The Company developed a *Vaccinia* virus that carries a gene of the rabies virus able to vaccinate wild animals, particularly foxes, against rabies by scattering vaccine-impregnated bait. This product is marketed today by Boehringer Ingelheim under the name Raboral V-RG®.

Oncolytic viruses replicate in cancer cells, leading to the destruction of these cells. They do not replicate in healthy cells. This mechanism differs from conventional treatments such as chemotherapy, antibodies and radiation therapy. Oncolytic products should therefore be used in combination with these treatments or in monotherapy.

Transgene's oncolytic vector program focuses on new generations of *Vaccinia* viruses some of whose genes have been suppressed ("deleted") to increase tolerance while maintaining effectiveness and their capacity to stimulate the immune system. In addition, these viruses can be armed with multiple features whereby they might alter the immune response in the tumor micro-environment.

Launched in 2017, the Invir.IO™ platform (see Section 1.2.2.2) is part of this research. This technology platform makes it possible to develop a new generation of multifunctional oncolytic viruses targeting the tumor micro-environment. This platform relies on a patented strain of *Vaccinia virus* ($VV_{COP}$ $TK^-RR^-$) into which a wide variety of transgenes (such as enzymes, antibodies and cytokines) can be integrated.

A number of projects are based on the Invir.IO™ platform, including:

- BT-001, the furthest developed candidate product. This oncolytic virus encodes the cytokine GM-CSF and BioInvent's anti-CTLA4 antibody. It is in the final stages of preclinical evaluation and the first clinical trial application has been submitted in the first quarter of 2020;
- Five multi-armed oncolytic viruses developed by Transgene for AstraZeneca under the collaboration agreement with licensing options;
- several proprietary oncolytic viruses designed by Transgene on its own behalf, which are undergoing preclinical evaluation.

Transgene owns an extensive intellectual property portfolio, that protects research and development activities.

## Integrated skills from research to development

Transgene's portfolio consists of several products in preclinical and clinical development. They are being evaluated for the treatment of cancers in various stage of the disease for which there is an important medical need.

Transgene has all the capabilities needed to conduct the different steps of preclinical and clinical development of its drug candidates and respects regulation.

Preclinical tests aim at evaluating, *in vitro* and *in vivo*, the safety and the efficacy potential of the products. They are undertaken by Transgene or in collaboration with partners or subcontractors. Clinical tests (or trials/studies) aim at evaluating the safety and the efficacy of the drug candidate in patients (phase 1, phase 2 and phase 3 trials).

### The different clinical trials or studies

In oncology, clinical trials are conducted on patients. They are always volunteers, duly informed, who can leave the trial if they wish. For several years in oncology the borderlines between the different phases of clinical trials have become increasingly fuzzy. The trials may therefore combine several phases, such as a phase 1/2 trial, for example.

**Phase 1**: first stage of testing a drug in humans. The phase 1 study tests a treatment on a small number of people in order to evaluate safety and the maximum tolerated dose.

**Phase 2**: phase 2 clinical studies include a greater number of patients than phase 1 and are designed to evaluate the safety, dosage and sometimes the effectiveness of the new treatment. Some immuno-oncology treatments have at times been authorized after extremely positive phase 2 results in an indication of high medical need, as long as a phase 3 trial will be begun.

**Phase 3**: phase 3 clinical studies can involve hundreds or thousands of patients depending on the disease, and are designed to evaluate the safety and effectiveness of a drug in a controlled setting. The success of a phase 3 trial generally leads to the filing of marketing authorizations required to bring the drug to market.

Our immunotherapies can be used as single agents or in combination with other approved or investigational treatments such as Immune checkpoint inhibitors (ICIs) or chemotherapy.

## Production capacity

In addition, Transgene has a new production facility called PilotClin. This pilot facility can manufacture small clinical batches that comply with GMP standards, notably for phase 1 clinical trials. It was also designed to meet the tailored or specific production needs of *myvac*® or Invir.IO™ projects.

## Open innovation and collaboration

Transgene participates in collaborative programs with public and private partners, in France and internationally. The aim of these collaborations between our staff and the scientific and medical community is to develop our R&D expertise and our portfolio of products and processes, while increasing their visibility, and if possible, to generate revenue or share costs. These collaboration agreements also serve as ways to validate our approaches and as such are crucial to increasing the attractiveness of the products to potential commercial partners.

Several collaborations were initiated or continued in 2019, including:

- **with NEC**. This collaboration allows NEC to share its artificial intelligence technology. It calls for selecting and ranking the most worthwhile tumor mutations so as to stimulate an immune reaction against the tumors. NEC is also funding 50% of the cost of the two phase 1 clinical trials of TG4050;
- **with AstraZeneca**. The goal of this collaborative research agreement is to co-develop five multi-armed oncolytic viruses from the Invir.IO™ platform. Transgene received $10 million on signing, and stands to earn up to $3 million more upon attaining preclinical milestones. Transgene might receive an option exercise payment for each candidate taken on by AstraZeneca, as well as milestone payments based on development and commercialization, plus royalties;
- **with BioInvent**. A first oncolytic virus coding for an anti-CTLA4 antibody belonging to BioInvent is now undergoing preclinical evaluation. Transgene and BioInvent extended their collaboration to develop new multi-functional oncolytic viruses coding for other of BioInvent's antibodies. Transgene and BioInvent each contribute 50% of the costs entailed in this collaboration;
- **within the French NEOVIVA consortium**. In March 2019, the NEOVIVA project, which supports development of the *myvac*® platform, was selected by Bpifrance's Investments for the Future program. The Transgene project, in cooperation with the HalioDx partners, Traaser and the Institut Curie, benefits from Bpifrance financing and supplements the collaboration between Transgene and NEC;
- within the framework of the European consortium **ImSavar**. This consortium brings together manufacturers and academic institutions to develop new preclinical models that are better suited and more predictive than the current animal models.

## Transgene's activity is highly regulated

Both preclinical and clinical pharmaceutical development as well as pharmaceutical manufacturing, including plant and equipment, and marketing are all subject to very thorough regulations developed by many governmental authorities at the national and at the European level, and in the United States. The European Medicines Agency (EMA), the French Agence nationale de sécurité du médicament et des produits de santé (ANSM), the US Food and Drug Administration (FDA) and other regulators require compliance with strict conditions for the manufacturing, development and marketing of products such as those developed by Transgene, especially at the preclinical and clinical stages.

The degree of reporting required for the authorization of a clinical trial or for marketing has been standardized for all medications. The information must meet quality, safety and efficacy requirements.

Requests for authorization of clinical trials are carried out at the national level and can require several approvals from clinical centers.

In the European Union, there is a "centralized" procedure for obtaining marketing authorizations for biotechnology products, thereby avoiding a separate submission to each Member State. In the United States and the European Union, the average time required to obtain this authorization is approximately one year from the date the request is submitted.

## 1.2.2 Overview of the platforms and principal products

Transgene's product portfolio includes therapeutic vaccines and oncolytic viruses. The following table summarizes the progress of Transgene's portfolio of products as of the date of this Registration Document:

| PRODUCT | INDICATION | PRECLINICAL | CLINICAL PHASE 1 | CLINICAL PHASE 2 | CLINICAL PHASE 3 |
|---|---|---|---|---|---|
| **THERAPEUTIC VACCINES** | | | | | |
| TG4001 | Recurrent HPV - positive cancers | + avelumab | | | Pfizer Merck* |
| TG4050 | Ovarian cancer<br>Head & neck cancers | myvac | | | NEC |
| **ONCOLYTIC VIRUSES** | | | | | |
| TG6002 | Colorectal cancer - IV Route<br>Colorectal cancer - IHA Route | | | | ** |
| BT-001 | Solid tumors | invir io | | | BioInvent* |
| Proprietary developments | Solid tumors | invir io | | | |
| 5 oncolytic viruses | Confidential targets | invir io | | | AstraZeneca* |

* Research/clinical collaboration ** Chinese rights acquired by Tasly Biopharmaceuticals

### 1.2.2.1 Therapeutic vaccines

The primary target markets of these candidate products are detailed in Section 1.2.6 of this document.

#### Inducing a targeted, robust and durable immune response

The purpose of therapeutic vaccines is to trigger a cascade of immune reactions that result in the production of "killer" T-lymphocytes able to recognize and destroy cancer cells.

By integrating the genetic sequences specific to the cancer cells in the genome of the viral vector, we direct the immune response against the tumor cells that carry those same sequences. Transgene uses the viral vector MVA (Modified *Vaccinia* Ankara), a viral strain recognized for its good safety profile and its immunogenicity.

The principal therapeutic vaccines under clinical development are TG4001 and TG4050, the first immunotherapy derived from the *myvac*® platform.

#### TG4001: HPV-16 positive cancers including head and neck - phase 2

TG4001 is a therapeutic vaccine designed to express antigens antigens E6 and E7 of the HPV-16 (Human Papilloma Virustype-16), which is the causal agent of several cancers that include the cancers of the oropharynx and certain anogenital cancers. TG4001 has now been administered to more than 300 subjects. It has demonstrated good tolerability, a significant HPV clearance rate and promising efficacy results in several clinical trials. TG4001's mechanism of action and safety profile make it very suitable for use in combination with other therapies.

***Description and mechanism of action***

TG4001 is a therapeutic vaccine designed from a highly attenuated, non-replicative *Vaccinia* virus (MVA). It expresses the antigens E6 and E7 of the HPV-16 virus and an adjuvant, interleukine2 (IL-2). TG4001 was designed to act against cells carrying the E6 and E7 antigens of HPV-16 in a twofold manner: alerting and training the immune system specifically against those cells and, due to IL-2, stimulating the immune system. Its good safety profile was observed in all clinical trials.

***Lead therapeutic indication***

TG4001 is under development for HPV-16 positive recurrent/metastatic cancers, including squamous cell carcinomas of the head and neck (SCCHN). This development is currently being conducted in combination with an immune checkpoint inhibitor, Avelumab.

***First results obtained - CIN 2/3 - phase 2b***

Solid proof of concept was obtained in a phase 2b study among patients with precancerous lesions of the cervix (intra epithelial neoplasia CIN 2/3).

This randomized trial, which included 192 patients, compared the administration of TG4001 in monotherapy with a placebo. 129 women had received TG4001, and 63 the placebo.

- After a 30-month follow-up period, resolutions (1) were significantly more numerous among the CIN 2/3 patients treated with TG4001 than in the placebo arm (24% versus 10%, $p < 0.05$), regardless of the type of papilloma virus identified in the patient.
- Viral clearance (elimination of the virus) was higher in the experimental group than in the placebo group, regardless of the strain of HPV detected at the start of the treatment ($p < 0.01$).
- TG4001 was also well tolerated, with reactions at the injection site being the most frequent side effects.

These results were published in 2019 in *Gynecologic Oncology* by Dr D. M. Harper of the University of Michigan.

They provided solid proof of the activity of the product in a pathology that is HPV-positive and, in this respect, are extremely encouraging for TG4001 and the entire MVA platform.

***Clinical collaboration agreement***

Clinical collaboration with the Merck KGaA/EMD Serono and Pfizer alliance, which supplies Avelumab, an immune checkpoint inhibitor of the human anti-PD-L1 monoclonal antibody type, for the phase 1b/2 trial described below (see Section 1.2.3).

***Clinical trial - HPV-16 positive cancers - phase 1b/2***

In 2017, Transgene initiated a phase 1b/2 clinical trial to evaluate the potential of the combination regimen of the therapeutic vaccine TG4001 and Avelumab in patients with recurrent or metastatic HPV-16 positive tumors, including oropharyngeal carcinoma of the head and neck (SCCHN), after failure of at least one line of treatment.

Transgene is the trial sponsor. The principal investigator is Professor Le Tourneau of the Institut Curie (Paris).

**First results obtained - phase 1b**

Early promising data as to efficacy were obtained in the phase 1b part of the trial.

Nine patients who had previously received up to 3 chemotherapy treatments received either one of the two tested doses of TG4001 combined with a fixed dose of avelumab.

- Three of the six patients treated with the higher dose of TG4001 showed durable partial responses (a reduction in size of over 30% of the tumor). This result compares favorably with the current treatments in these indications (2)
- No dose-limiting toxicity was observed, confirming a satisfactory tolerability profile for the combination regimen;
- T cell responses against the HPV-16 E6 and E7 antigens were detected at day 43;
- The combination regimen was able to prime the immune system and modified positively the tumor microenvironment. Patients displayed increased immune cells infiltrates (including CD8 T cells) and an increased expression of genes associated with innate and adaptive immune response;
- And increase in the expression of PD-L1 in the tumors.

These data have been presented in a poster at the European Society for Medical Oncology (ESMO) 2019 Congress.

**Clinical trial under way - phase 2**

The phase 2 part of the trial started in October 2018 and will include 40 patients.

***Next stages of development***

The interim results of the phase 2 part of the trial are expected in the second quarter of 2020.

***Marketing outlook***

The Company has not set a possible date for commercial launch.

### A new generation of individualized immunotherapy: *myvac®*

With the *myvac®* platform, Transgene is entering the field of individualized immunotherapy and precision medicine. Our approach is based on the MVA viral vector. *myvac®* products are designed to stimulate and educate the immune system against a patient's cancer by using the genetic mutations specific to his or her tumor. This approach has the advantage of an optimized process with an accelerated production time. With *myvac®*, Transgene overcame several scientific and technical challenges. The Company set up an innovative network that combines bioengineering, digital transformation, established vectorization know-how and unique manufacturing capabilities.

The aim of this platform is to generate several drug candidates that can be administered alone or in combination with other approaches.

TG4050 is the first product derived from the *myvac®* platform, and the first patients were included in two phase 1 clinical trials in early 2020.

*(1) Resolution: total disappearance of CIN lesions.*

*(2) This result compares favorably with currently approved treatments in cancers associated with HPV-16 for patients presenting metastases and receiving a second line of treatment. With the immune checkpoint inhibitors, the median survival period remains less than 11 months, with a median progression-free survival on the order of 2 to 4 months. The overall response rates fall between 10% and 15% depending on the indication.*

*An individualized, MVA-based vaccine*

The *myvac*® platform is based on a MVA vector whose safety, biological activity and ability to induce an immune response against tumor antigens are established and recognized. The MVA is also able to induce a broadening of the antitumor immune repertoire, known as epitope spreading.

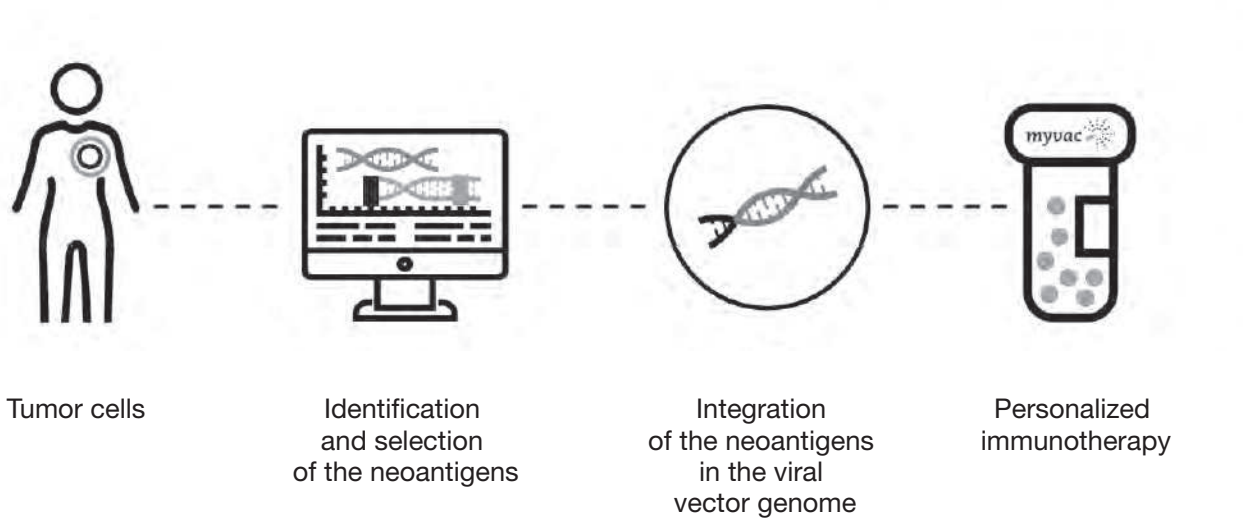
*Artificial intelligence to select the most pertinent mutations.*

This innovative immunotherapy is based on integrating neoantigens (patient specific tumor mutations) into a viral vector. Once they have been identified through sequencing and selected using the power of artificial intelligence (AI) technologies of NEC, several mutations are then incorporated into the genome of the viral vector. The prediction system is based on AI expertise that goes back more than 20 years, already used in oncology. It notably focused on public and proprietary data to rank and select with precision the most immunogenic sequences, Thus, when *myvac*® is administered to the patient, it triggers an immunity cascade against these different targets present in the cancer cells.

*A pilot manufacturing site to GMP standards*

A pilot unit, PilotClin, dedicated to individualized clinical batches of TG4050 was created on the Strasbourg (Illkirch) site. It complies with the pharmaceutical manufacturing standards and will supply the doses necessary to the clinical development.

*The different stages in the production of myvac®*




*Consortium agreement*

The implementation of new-generation vaccines requires the existence of a technological ecosystem to allow clinicians to best select the patients most able to benefit from this type of approach and to implement the process enabling the characterization of the patient and the avaiability of the product. To prepare such an environment, Transgene has formed a collaborative network enabling the establishment of a technological ecosystem.

An innovative project, NEOVIVA, received certification from BioValley France, the Grand Est Region Healthcare Competitiveness Cluster, and Eurobiomed. Transgene holds the intellectual property of the *myvac*® viral platform and works actively on the translational development of this innovative technology, particularly as part of the project with three French partners: the Institut Curie, HalioDx and Traaser.

- The **Institut Curie** (the Cancer Immunotherapy Center, led by Dr. Amigorena) works on the generation of translational data and the characterization of the action mechanism;
- **HalioDx** will study biomarkers to monitor and maximize the clinical efficacy of *myvac*® with Immunogram, a high-tech clinical research platform that includes a suite of proprietary tests including Immunosign® and the Immunoscore® assay range;
- **Traaser** automates, secures and manages the genomic data, including the integration of predictive algorithms provided by a partner recognized in artificial intelligence.

The NEOVIVA project will receive a €5.2 million grant from the PIA *(Programme d'investissements d'avenir)* run by Bpifrance, of which Transgene will receive €2.6 million. The payments will be staggered over the 5-year duration of the program.

### TG4050: The new generation of individualized vaccine - phase 1

*TG4050 is an individualized immunotherapy designed to stimulate the immune system of patients in order to induce a response that is able to recognize and destroy tumor cells in a specific manner. This personalized immunotherapy is designed for each patient based on the mutations identified by sequencing the tumor tissue. These are then prioritized using the NEC Antigen Prediction System and integrated into the* myvac® *technological platform (see above). This individualized immunotherapy is produced for each patient in a short time.*

***Partnership with NEC***

The development of TG4050 is based on a strategic partnership between NEC and Transgene. By making available its artificial intelligence and machine learning capabilities, its databases and its expertise in prioritizing neoantigens, NEC provides Transgene with an essential component for TG4050. The quality and robustness of NEC's AI give Transgene a strong competitive advantage.

In addition, NEC is also funding 50% of the cost of the two phase 1 clinical trials of TG4050.

***Description and mechanism of action***

TG4050 is a therapeutic vaccine developed individually for each patient, based on the mutations identified in the patient's tumors. These mutations may lead to the expression of tumor neoantigens that are especially useful targets for the tumor-fighting immune response. These neoantigens are known to stimulate a stronger immune response than the "classic" tumor antigens because their expression is limited to the tumor and therefore do not have tolerance issues.

Once they have been identified through sequencing and selected using artificial intelligence algorithms, up to 30 neoantigens are then incorporated into the genome of the viral vector (MVA). Thus, when TG4050 is administered to the patient, it initiates a cascade of immune response against a range of targets present in the cancer cells.

This approach differs from autologous treatments in that no biological material from the patient is used in manufacturing this pharmaceutical product, making it easier to manufacture and standardize. It is also individualized since it uses the information specific to the characteristics of the patient's tumor.

***Clinical trial under way - ovarian cancer - phase 1***

A first phase 1 trial calls for the administration of TG4050 to patients with ovarian cancer who have had surgery and a first line of chemotherapy. It began in January 2020 after being authorized by the FDA in May 2019 and by the ANSM in July 2019.

This multi-center, one-arm trial is taking place in the U.S. and France. The evaluation criteria for the trial include the safety, feasibility and biological activity of the therapeutic vaccine.

Dr. Matthew Block, an immunologist and medical oncologist at the Mayo Clinic, is conducting the trial in the United States. In France, the trial is conducted by Dr Martinez at the Oncopole de Toulouse and by Prof.Le Tourneau at the Institut Curie.

This clinical study, sponsored by Transgene, is co-financed with NEC.

***Clinical trial under way - HPV-negative cancers of the head and neck - phase 1***

A second phase 1 trial of TG4050 is being conducted among patients with locally advanced, newly diagnosed HPV-negative cancers of the head and neck after surgical resection and adjuvant treatment. It began in January 2020 after being authorized by the MHRA and the ANSM in July 2019.

This two-arm, randomized, open, multi-center trial includes patients in the United Kingdom and France. The patients receive TG4050 either as a monotherapy after the end of the adjuvant treatment or in combination with the standard treatment at the moment the disease recurs. The evaluation criteria for the trial include safety, feasibility and biological activity of the therapeutic vaccine.

In France, the trial is conducted by Prof. Delord at the Oncopole de Toulouse and by Prof. Le Tourneau at the Institut Curie. In the United Kingdom: the trial is coordinated by Prof. Ottensmeier of the University of Southampton.

This clinical study, sponsored by Transgene, will be co-financed with NEC.

***Next stages of development***

The first clinical results of these trials are expected in the first semester of 2021.

***Marketing outlook***

The Company has not set a possible date for commercial launch.

## 1.2.2.2 Oncolytic immunotherapy

### Selectively destroying cancer cells

Oncolytic viruses are a particularly innovative therapeutic class that offers promise in the fight against cancer.

They selectively replicate in cancer cells and directly (the process is known as cell lysis or oncolysis) and indirectly trigger an immune system response against these cells.

Oncolytic viruses can be armed with a comprehensive therapeutic arsenal comprising complementary anticancer weapons embedded in their genome: in this case, we refer to multifunction or "armed" viruses.

By attacking the tumor with several mechanisms of action, Transgene develops therapeutic approaches that can lead to an effective therapy against cancer.

## TG6002: solid tumors – phase 1/2a

*A new generation of multifunctional oncolytic virus, TG6002 has been designed to combine the mechanism of oncolysis (targeted destruction of the cancer cell) with the targeted production of chemotherapy (5-FU), directly in the tumor. In addition, the destruction of tumor cells results in the release of tumor antigens, which cause an increase in the immune response. These approaches can attack solid tumors on multiple fronts while avoiding the side effects of chemotherapy.*

### *Description and mechanism of action*

The genetically-programed poxvirus from which TG6002 is derived can selectively replicate in tumor cells. This selectivity for cancer cells was obtained by removing two genes from it: the genes coding for thymidine kinase (TK) and ribonucleotide reductase (RR). TK and RR are present in great quantity in cancer cells and are necessary for viral replication, but are present in small quantity in healthy cells, making viral replication impossible. TG6002 also expresses the patented gene FCU1, for which expression in the tumor cell leads to the local conversion of the pro-drug 5-FC (flucytosine) in 5-FU (fluouracile), a commonly used chemotherapy. As such, when TG6002 is administered in combination with 5-FC, it allows the production of chemotherapy in the tumor.

TG6002 combines several mechanisms of action to:

- directly and selectively destroy the cancer cells (oncolysis) by causing immunogenic cell death;
- allow the production of a chemotherapy (5-FU), directly in the tumor;
- induce an immune response, following the release of antigens during the oncolysis.

TG6002 is able to strengthen conventional treatments and could be used in combination (with chemotherapy, monoclonal antibodies or radiation and Immune checkpoint inhibitors) or as monotherapy with cancers that resist these treatments.

### *Lead therapeutic indication*

Transgene is developing TG6002 for the treatment of several solid tumors, such as gastro-intestinal adenocarcinoma (stomach, pancreas and colon), for which 5-FU is a common treatment.

### *Key results*

Transgene relies on a set of robust preclinical data, having demonstrated inter alia its good tolerance and efficacy profile in several preclinical models *in vitro* (cell lines) and *in vivo* (xenografts on immunodeficient mice). In some models, partial responses and even complete ones were observed, as well as a "remote" effectiveness of the oncolytic virus on the metastases.

Preclinical results obtained on models of colorectal cancer were published in *Molecular Therapy Oncolytics* in 2019.

### *Clinical trial under way - colorectal cancer (CRC) - IV administration - phase 1/2*

In October 2018 Transgene announced the treatment, at the Léon Bérard Center, of the first patient of the phase 1/2 trial of TG6002 in patients suffering from advanced gastro-intestinal tumors such as colon cancer. The product is administered intravenously (IV).

This multi-center trial is authorized in France, Belgium and Spain. It will include up to 59 patients.

### *Clinical trial under way - colorectal cancer (CRC) presenting liver metastases - IHA administration - phase 1/2*

Transgene also started a phase 1/2a clinical trial of TG6002 administered by the intrahepatic artery (IHA) route in patients with CRC with inoperable liver metastases. The first patient was treated in February 2020.

By administering TG6002 via hepatic artery, Transgene offers an additional therapeutic option for these hard-to-treat patients. IHA administration should guide TG6002 into the tumor at a higher concentration, thereby augmenting the efficacy while limiting patients' systemic exposure.

Dr. Adel Samson, MB ChB PhD, a medical oncologist at St James University Hospital of Leeds, is the principal investigator of the trial, and Transgene is the sponsor.

This one-arm, multicenter, open trial evaluates the safety, pharmacokinetics and efficacy of repeated, increasing doses of TG6002 administered via the intrahepatic artery in combination with 5-FC administered orally. It could include up to 75 patients.

### *Next stages of development*

The first results of the phase 1/2a trial assessing the intravenous administration of TG6002 are expected in the second quarter of 2020; those evaluating the IHA administration are expected in the first half of 2021.

### *Sale of Chinese rights to TG6002 technology (T601) to Tasly BioPharmaceuticals*

T601 is an immunotherapy derived from TG6002 technology. It is currently being developed in China by Tasly BioPharmaceuticals Group Co. Ltd., which holds all rights to research, development and commercialization of T601 for Greater China, following an agreement reached in July 2018. A phase 1 clinical trial evaluating T601 administered by IV route to patients suffering from gastro-intestinal tumors included its first patients at the end of 2019.

### *Marketing outlook*

The Company has not set a possible date for commercial launch.

## New generation of oncolytic viruses – Invir.IO™

The Invir.IO™ platform is based on a patented technology at the origin of a new generation of multifunctional oncolytic viruses able to modulate the tumor micro-environment and thus show improved anti-tumor activity.

The Invir.IO™ platform relies is based on a patented strain of *Vaccinia virus* ($VV_{cop}TK^{-}RR^{-}$), which enables several administration routes (intravenous, locoregional and intratumoral). The capacity of the genome of the *Vaccinia* viruses to integrate large quantities of genetic material makes Invir.IO™ the ideal platform to develop a portfolio of multifunctional oncolytic viruses.

The Invir.IO™ platform has generated candidates integrating a wide variety of weapons (enzymes, antibodies, cytokine, etc.). They are undergoing preclinical evaluation by Transgene.

BT-001, the first drug candidate derived from Invir.IO™, could go into clinical trial in late 2020.

***Invir.IO™ A platform to develop a portfolio of immunotherapeutics combining complementary modes of action***

Thanks to Transgene's unique know-how and expertise, the Invir.IO™ platform can generate, produce and characterize numerous candidate products in a highly efficient way.

The aberrant proliferation of cancer cells is linked to immunosuppression mechanisms which allow the tumor to escape the immune system. These complex cellular and metabolic mechanisms develop in the tumor micro-environment. Our oncolytic viruses are designed to directly and selectively destroy the cancer cells by using an oncolysis mechanism, while also inducing immune responses against tumor cells. In addition, during replication, the virus expresses the weapons integrated in its genome and therefore allows the expression of immunomodulators and/or therapeutic agents specifically in the tumor.

***Oncolytic viruses optimized to attack the tumor on several fronts and improve cancer treatment***

Most of the effector molecules of the immune system are very effective locally, but they may be toxic when administered by a systemic route. The preferential replication of the virus within the tumor allows the selective local expression of such molecules in addition to oncolysis. This enables the effective modulation of the tumor micro-environment and an increase in the immuno-sensitivity of the tumor while limiting systemic exposure.

Transgene has already demonstrated that the oncolytic viruses from the Invir.IO™ platform attack tumors on several fronts. In addition to the remarkable lytic properties of the *Vaccinia* viruses, our oncolytic viruses:

- induce the immunogenic death of cancer cells; and
- allow the expression specifically in the tumor of several weapons such as cytokines, chemokines, enzymes, and/or monoclonal antibodies or mini-antibodies (SdAbs – single-domain antibodies) that act against the tumor.

***Collaboration agreements***

In addition to its proprietary development work it does on its own, Transgene has signed collaborative research agreements (see Section 1.2.3 and 1.2.4.2). They plan to vectorize the sequences of molecules of interest developed by the partners in an oncolytic virus from the Invir.IO™ platform:

- collaboration with AstraZeneca (May 2019);
- collaboration with BioInvent (December 2017);
- collaboration with Randox (October 2017).

***Next stages of development***

The collaboration with AstraZeneca is moving along well. The first oncolytic viruses were delivered to AstraZeneca, generating revenue of €1.3 million in 2019 (in addition to the €10 million received on signing).

BT-001, the first product from the collaboration with BioInvent, could start by the end of 2020.

Transgene has designed other proprietary oncolytic viruses, which are being evaluated in preclinical trials. A candidate could be selected during the year and be subject to a regulatory submission in the second half-year of 2020 to enter the clinical phase in 2021.

## BT-001

BT-001 is an innovative oncolytic virus derived from the Invir.IO™ platform. It expresses an anti-CTLA4 antibody and the cytokine GM-CSF It is co-developed by Transgene and BioInvent.

BT-001 was designed to improve the efficacy of an anti-CTLA4 antibody while minimizing the undesirable effects that have been associated with this class of ICIs.

***Collaboration agreement***

BT-001 is co-developed Transgene and BioInvent.

***Description and mechanism of action***

BT-001 is a multifunctional oncolytic virus. It was generated with the help of Transgene's patented platform Invir.IO™ and its high-capability oncolytic virus VVcopTK-RR-. BT-001 encodes an anti-CTLA4 antibody derived from BioInvent's n-CoDeR®/F.I.R.S.T™ technology, depleting Tregs and a human cytokine (GM-CSF).

BT-001 was designed to combine an action destroying tumor cells (oncolysis) with the activation of immune defenses and the expression of an anti-CTLA4 antibody in the tumor. This antibody has notably shown in preclinical phase an activity of modulating the tumor micro-environment by provoking a depletion of the T-regs, lymphocytes being able to reduce the action of the "killer" T lymphocytes in the tumor.

*Lead therapeutic indication*

Transgene and BioInvent are developing BT-001 for the treatment of solid cancers.

*Key results*

BT-001 was evaluated in several preclinical models, *in vitro* and *in vivo*.

In immunocompetent models, the murine form of BT-001 showed exceptional anti-tumor activity that led to the disappearance of the tumors in the majority of mice (> 70% in all models tested).

- The new preclinical data also confirmed that the anti-CTLA4 antibody expressed by BT-001 in the tumor cells of mice retains its biochemical integrity and folding, functionality and biological activity;
- The biodistribution profile of BT-001 reveals a higher concentration of anti-CTLA4 antibodies in the tumors as compared to their administration intravenously.

*Next stages of development*

The first request for authorization to launch a clinical trial of BT-001 in humans was filed in early 2020, this trial, which will be active in Europe and the United States, could start in late 2020.

*Marketing outlook*

The Company has not set a possible date for commercial launch.



## 1.2.3 Strategic collaboration agreements

### Collaboration agreement with Merck KGaA and Pfizer for a phase 1/2 study

In October 2016, Transgene, Merck KGaA and Pfizer entered into a collaboration agreement to evaluate the potential of the therapeutic vaccine candidate TG4001 in combination with avelumab for the treatment of human papilloma virus (HPV) positive squamous cell carcinoma of the head and neck (SCCHN), after failure of standard therapy in the framework of a phase 1/2 trial. Avelumab is a fully human anti-PD-L1 IgG1 monoclonal antibody that is jointly owned by Merck KGaA and Pfizer. Merck KGaA and Pfizer are providing avelumab and certain technical services to the collaboration, with Transgene contributing TG4001 and playing the role of trial sponsor. The first patient was treated in September 2017. The phase 1b results were presented at ESMO 2019, and the phase 2 part of the trial is under way.

### Agreements to co-develop oncolytic vectors with BioInvent

In December 2017, Transgene and BioInvent announced a co-development agreement to develop viral vectors from Transgene's Invir.IO™ platform, armed with an anti CTLA-4 monoclonal antibody developed by BioInvent and the expansion of this collaboration to a second target in March 2019. The immunotherapies resulting from these collaborations will combine the effects of oncolytic viruses with the properties of the vectorized antibodies, which will be expressed directly in the tumor micro-environment, so as to remove the immunosuppression of solid tumors.

The terms of each agreement provide for development conducted by the two companies with an equal share of the costs and revenues and royalties that result, with the possibility for each party to opt out of the ensuing steps of the collaboration in exchange for granting a license and an adjustment of the financial terms.

### Collaboration agreement with NEC

On March 4, 2019, following a letter of intent announced in October 2018. Transgene and NEC Corporation signed a collaboration agreement for the design of a personalized vaccine that combines Transgene's *myvac*® technology with neoantigen prediction technologies created by NEC. EC also co-finances 50% of the costs of two phase 1 trials of TG4050 with the goal of obtaining a first proof of concept of the *myvac*® technology.

### Collaboration agreement with AstraZeneca

In May 2019, the Company announced the signing with AstraZeneca of a collaborative research agreement with exclusive licensing options to co-develop five multi-armed oncolytic viruses derived from Invir.IO™. The agreement calls for the Company to bring its expertise in the area of oncolytic viruses, including viral design and viral engineering, based on its optimized *Vaccinia* virus integrating the double TK-RR deletion and will undertake the preclinical development *in vitro* of the candidates. Transgene received $10 million on signing, and stands to earn up to $3 million more upon attaining preclinical milestones. The Company 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.

# 1.2.4 Other products and collaborations

## 1.2.4.1 Other products

### TG1050: a therapeutic vaccine for chronic hepatitis B

TG1050 is a therapeutic vaccine for the treatment of chronic hepatitis B. This product went into clinical development in 2015 in patients with a chronic HBV (hepatitis B virus) infection being treated by standard antiviral. This product has shown a good safety profile and after administration of a single or multiple doses of TG1050.

*Description and mechanism of action*

TG1050 is an immunotherapy based on the human adenovirus serotype 5. This virus is non-replicative, meaning that it cannot proliferate in the patient's body. It expresses several antigens of the hepatitis B virus (HBV): the DNA polymerase enzyme, responsible for replication of the virus, the surface protein located outside the virus that allows HBV to enter the cells that it infects and finally the HBV capsid protein, i.e., the protein comprising the structure that surrounds the viral genome. Once produced in the body via the adenovirus vector, these HBV proteins activate the patient's immune system and induce HBV-specific T lymphocytes that can recognize infected cells and eliminate them.

*Therapeutic indication*

TG1050 is for treatment of chronic hepatitis B.

Current treatments for hepatitis B can inhibit the multiplication of the virus but fail to eliminate it. Fewer than 5% of patients treated recover completely. The TG1050 injection is intended to induce an immune response against HBV and thereby to increase the seroconversion rate of HBsAg, the current criterion of cure.

*Pre-linical trials, clinical study and results*

Preclinical results have shown the ability of TG1050 to induce specific T cell responses. These responses were robust, broad and sustained over the time, with characteristics similar to those observed in patients who have eliminated the infection. Antiviral effects have also been shown for TG1050 at preclinical stage.

On the basis of these data (main results published in the scientific journal *Gut*), Transgene in 2015 initiated a phase 1/1b clinical study aimed at evaluating TG1050 in patients with chronic hepatitis B treated with standard antivirals. This randomized, double-blind, placebo-controlled, multi-center trial (Europe and North America) assessed the safety profile and tolerability of single and repeated administration of three doses of TG1050, and helped improve understanding of antiviral activity and immune system responses induced by TG1050.

In November 2018, Transgene presented positive and encouraging results of this clinical trial to the AASLD Liver Meeting, showing the achievement of the following objectives:

- good tolerance of TG1050 at the three doses tested in single dose and in multiple doses in patients with chronic hepatitis B under standard antiviral treatment;
- induction of a specific cellular response of HBV. This immune response was observed mainly at the two highest doses in patients with little or no pre-immunity against adenovirus.

Transgene also presented encouraging new preclinical data in a mouse model expressing HBV chronically. They show that the combination of TG1050 with antivirals or immunomodulators leads to a much greater and longer lasting antiviral activity than treatments administered alone. These data support future clinical evaluation of TG1050 in combination with other molecules, whether or not specific to HBV.

*Next stages of development*

Transgene is seeking partners for TG1050, primarily to co-develop this candidate product in combination with other therapeutic modalities.

*Marketing outlook*

The Company has not set a possible date for commercial launch.

*Sale of Chinese rights to Tasly BioPharmaceuticals and development of T101*

T101 is an immunotherapy derived from TG1050 technology. It is currently being developed in China by Tasly BioPharmaceuticals Group Co, Ltd., which holds all rights to research, development and commercialization of T101 for Greater China, following an agreement reached in July 2018.

A phase 1 clinical study evaluating T101 was conducted in China. It notably confirmed, among other things, the tolerance and immunogenicity of this therapeutic vaccine in a population of patients with chronic hepatitis B but whose characteristics differ from those in Europe and North America, particularly in terms of the modes of infection, haplotypes and viral genotypes.

The results were presented in the form of a meta-analysis with the results of TG1050 to the AASLD Liver Meeting in November 2019.

A phase 2 trial of T101 in China began in December 2019.

### TG4010: therapeutic vaccine for advanced lung cancer

*TG4010 is an immunotherapy designed to induce the immune system against cancer cells expressing MUC1. Its development has concentrated on the treatment of non-squamous NSCLC (non-small cell lung cancer), the most common form of lung cancer in both smokers and non-smokers.*

Based on results obtained previously, Transgene had launched a phase 2 trial evaluating TG4010 in combination with nivolumab (ICI) and chemotherapy as a first line of treatment for NSCLC in patients whose tumors express PD-L1 at low or undetectable levels. In December 2019 Transgene reported that the primary endpoint of this trial was not reached.

Transgene decided not to continue development of TG4010.

***Collaboration agreements***

Clinical collaborations with Bristol-Myers Squibb (see Section 1.2.4.2).

***Description and mechanism of action***

TG4010 is a therapeutic vaccine consisting of a vector, the non-*replicative Modified Vaccinia Ankara* (MVA) virus, which expresses the MUC1 antigen and interleukin 2 (IL-2), a cytokine that stimulates the immune system.

The MUC1 antigen is normally expressed in a large number of healthy cells in the human body. However, MUC1 is expressed in an abnormal biochemical form in cancer cells, thereby making it a TAA (Tumor Associated Antigen), i.e. a prime target for immunotherapy.

TG4010's purpose is to potentiate (or strengthen) the body's immune system to create a response against the cells carrying the TAA MUC1 and help destroy them.

The MUC1 gene was obtained under license from Imperial Cancer Technology Ltd., the technology transfer unit of the Imperial Cancer Research Fund. This license is global and exclusively for the use of the MUC1 gene in applications for the transfer of genes using viral vectors.

***Lead therapeutic indication: metastatic non-small cell lung cancer (NSCLC)***

The development plan of TG4010 aimed at positioning Transgene in the first line of treatment of NSCLC in combination with chemotherapy and Nivolumab in patients with tumors expressing little or no PD-L1.

***Previous results obtained***

The high level of tolerance to the product in combination with chemotherapy was confirmed during several phase 1 and phase 2 trials. The main side effects connected with TG4010 were classic post-vaccination reactions (reactions at the injection site and fatigue).

In 2014 and 2015, Transgene announced positive results from the phase 2b part of the TIME study, a randomized and controlled phase 2b test to evaluate the targeted TG4010 immunotherapy, compared with a placebo, in combination with first-line chemotherapy in patients with metastatic NSCLC. The primary objective of the phase 2b part of the TIME study was to validate the positive results obtained in an earlier study which were published in the clinical journal *Lancet Oncology*, in October 2011.

The results of part 2b of the TIME study were published in the December 2015 edition of the journal *Lancet Oncology*. They were first unveiled at renowned global medical conferences on oncology, such as the American Society of Clinical Oncology (ASCO) meeting, the leading annual conference in this field, in June 2015. They showed a clinically significant improvement in progression-free survival and overall survival. This improvement is measured by a significant reduction in the risk of progression or death in patients in this group having received a combination of TG4010 and chemotherapy, compared with the placebo-plus-chemotherapy group. The positive effect of the addition of TG4010 was even more noticeable in the subgroup of patients with non-squamous histology (88% of the patients in the study) associated with an over-expression of the antigen MUC1. This is the population that was selected for the clinical trial of combining with chemotherapy and Nivolumab.

***Clinical results obtained in 2019***

A clinical trial was launched in 2017 to evaluate the combination regimen of TG4010 with chemotherapy and Opdivo® (nivolumab) as a first-line treatment for patients with non-small cell lung cancer (NSCLC) whose tumor cells express PD-L1 at low or undetectable levels.

The trial's primary endpoint (response rate) was not reached. This multi-center phase 2 trial included 40 evaluable patients in the U.S. and Europe. It was conducted in collaboration with Bristol-Myers Squibb, which supplied the nivolumab.

***Next stages of development***

Transgene decided not to continue development of TG4010.

Further analyses of the phase 2 trial in combination with nivolumab and chemotherapy are still in progress. The final findings of the trial will be presented at a scientific conference.

***Marketing outlook***

The Company does not plan to market TG4010, having decided not to continue its development.

## Pexa-Vec: an oncolytic virus: against liver cancer and other solid tumors

Pexa-Vec (JX594/TG6006 – pexastimogene devacirepvec) is an oncolytic virus designed to selectively target and destroy cancer cells by intracellular replication of the virus cells (oncolysis) and stimulate the anti-tumor immune response. Its mechanism of action and safety profile make it an ideal candidate for combination with other therapies, including Immune checkpoint inhibitors (ICIs).

***Description and mechanism of action***

The modified *Vaccinia* virus from which Pexa-Vec is derived can selectively replicate in tumor cells. The safety profile and cancer cell selectivity were obtained by the deletion of the thymidine kinase (TK) gene, thus making the virus dependent on the constant high-level expression of the TK gene in cancer cells. Pexa-Vec was also modified to express the immunostimulating protein GM-CSF, Pexa-Vec uses three mechanisms of action to "attack" tumors: cell lysis via the selective replication of the virus in tumor cells, blocking of tumor vascularization and stimulation of the immune response against the tumor (active immunotherapy).

Transgene acquired Pexa-Vec's development and commercial rights for Europe (see Section 1.2.4.2).

***Neo-adjuvant trial conducted by the University of Leeds***

A translational study with administration of Pexa-Vex intravenously before surgical intervention (a neo-adjuvant

indication) made it possible to document Pexa-Vec's mechanism of action in the tumor micro-environment. The University of Leeds is the sponsor of this trial. Eight patients were treated. Transgene presented early positive findings at ASCO in June 2018, showing that Pexa-Vec stimulates anti-tumor immunity after intravenous administration. A complete pathological response was observed at surgical resection in one of the four patients. The complete results were presented at ESMO in September 2019.

#### Lead therapeutic indication: liver cancer

Phase 1 and 2 clinical trials in different types of tumors showed that Pexa-Vec is well tolerated by patients and has a biological activity when injected directly into tumors or administered by IV infusion. Pexa-Vec has an acceptable tolerance profile with known and tolerable secondary effects.

Pexa-Vec is developed for the treatment of solid tumors. It was evaluated, following administration of sorafenib, in liver cancer as part of a phase 3 trial and in combination with nivolumab in a phase 1/2 trial.

***Key clinical results as a first-line treatment in advanced liver cancer***

Phase 2 study results (published in the journal Nature Medicine in February 2013) of patients with advanced liver cancer revealed that patients receiving the high dose had a statistically significant clinical improvement in terms of overall survival compared to the Group receiving the low dose. The risk of death in patients receiving the high dose of Pexa-Vec dropped sharply compared to the patients in the control group receiving the low dose (1/10$^{th}$ of the high dose). Median overall survival was respectively 14.1 months in the high-dose group and 6.7 months in the low-dose group.

***Phase 3 clinical trial (PHOCUS)***

This trial evaluates Pexa-Vec in combination with sorafenib in the first-line treatment of patients with advanced hepatocellular carcinoma (HCC). This trial, launched in late 2015, was conducted in Europe, Asia and North America by our partner SillaJen. Patients were randomized into two groups to receive Pexa-Vec followed by sorafenib, or sorafenib only. Sorafenib (Nexavar®) was until recently the only product approved for first-line treatment of advanced HCC. This study received a Special protocol assessment (SPA) from the FDA.

On August 2, 2019 Transgene announced that the Independent Data Monitoring Committee of the PHOCUS trial had recommended stopping the study based on the IDMC's assessment that the trial would be unlikely to meet its primary objective at the time of the final analysis.

***Phase 1/2 clinical trial in combination with nivolumab***

This multi-center trial was conducted in Europe, and started in July 2017. It combined Pexa-Vec and nivolumab (Opdivo®) as a first line of treatment for advanced HCC. The principal investigator of the trial was Prof. Olivier Rosmorduc, of the Hôpital de La Pitié Salpêtrière, Paris.

Transgene reviewed the data from the PHOCUS trial and interacted with clinicians regarding the recent failures of other clinical trials in the first-line treatment of hepatocarcinoma. Transgene decided, in September 2019, to end the study evaluating the administration of Pexa-Vec and nivolumab in this indication.

***Next stages of development***

Pexa-Vec is currently being developed for other indications, in so-called "investigator-sponsored" studies, which Transgene coordinates. These phase 1/2 studies combine Pexa-Vec with other therapies.

In parallel, SillaJen and Lee's Pharma are conducting phase 1 and 2 clinical trials in their respective geographic regions (North America and Asia/China). These tests principally combine Pexa-Vec with ICIs for the treatment of various solid tumors.

Transgene does not plan to launch a new clinical trial of Pexa-Vec. The Company retains the European rights for this candidate product.

***Marketing outlook***

The Company has not set a possible date for commercial launch.

### Other programs

Transgene conducts other research programs, capitalizing on its recognized expertise in the engineering of viral vectors, and aimed in the long term at extending the Company's portfolio of preclinical and clinical drug candidates.

## 1.2.4.2 Other collaborations and contracts

### Research agreement with Servier

In 2017, Transgene and Servier began a research agreement on the application of viral vectorization technologies for the production of allogeneic CAR-T cells therapies. The collaboration between the scientific teams of Servier and Transgene aimed to evaluate and select innovative vectorizing technologies from Transgene's collection of viral vectors that can be applied to the engineering of CAR-T cells therapies. This research collaboration terminated at the end of 2019.

### Collaboration agreement with Bristol-Myers Squibb for a phase 2 study

In April 2017, Transgene and Bristol-Myers Squibb signed a collaboration agreement to assess the potential of the therapeutic vaccine TG4010 in combination with Opdivo® (nivolumab) and chemotherapy for the first-line treatment of advanced stage non-small cell lung cancer (NSCLC) in patients whose expression of PD-L1 by tumor cells is low or undetectable. Bristol-Myers Squibb is providing nivolumab and certain technical services to the collaboration, with Transgene contributing TG4010 and acting as sponsor of the research. In December 2019 Transgene announced that the prirmary endpoint of the trial has not been reached.

### Licensing agreement with SillaJen

In August 2010, Transgene and Jennerex, Inc. (acquired by the South Korean-based company SillaJen in 2014) signed an exclusive partnership agreement for the development and commercialization in Europe, the Commonwealth of Independent States (CIS) and the Middle East of the oncolytic virus Pexa-Vec for the treatment of solid tumors. In November 2015, SillaJen and Transgene amended the partnership agreement to streamline the conduct of clinical studies reflecting the areas of interest of each partner and to redefine the territories. Transgene returned rights to SillaJen for all Middle Eastern countries, Russia, Ukraine, Belarus and Turkey. SillaJen assumed the responsibility of conducting the phase 3 trial in hepatocellular carcinoma. Transgene remains responsible for submitting requests for marketing approval and retains commercialization rights in its territories. Transgene committed to pay SillaJen a global amount of $6 million as its support for the phase 3 study, whereas under the terms of the original agreement Transgene was responsible for all development costs in its territories. Under the amended agreement, Transgene has committed to independently initiate an exploratory trial evaluating Pexa-Vec in combination with nivolumab in liver cancer, with Transgene being responsible for all costs related to this trial and any other exploratory studies it launches independently. The data generated by these independent trials will belong to Transgene.

As part of the development activities, Transgene may have to pay SillaJen up to $112 million (including $13.25 million already paid) in milestone and market authorization payments for several indications, as well as royalties from the sale of Pexa-Vec by Transgene and its sub-licensees. SillaJen also has an option to co-promote the product in the five major European countries in the exclusive territory of Transgene.

### Agreements to co-develop oncolytic vectors with Randox

In October 2017, Transgene and Randox announced a co-development agreement to develop viral vectors from Transgene's Invir.IO™ platform, armed with single-domain monoclonal antibodies (SdAb) generated by Randox. The immunotherapies resulting from these collaborations will combine the effects of oncolytic viruses with the properties of the vectorized antibodies, which will be expressed directly in the tumor micro-environment, so as to remove immunosuppression in solid tumors. The terms of each agreement provide for development conducted by the two companies with an equal share of the costs and revenues and royalties that result, with the possibility for each party to opt out of the ensuing steps of the collaboration in exchange for granting a license and an adjustment of the financial terms.

### Agreements with ABL Europe for the manufacturing of clinical batches

In May 2019, the Company implemented a new framework agreement drawing up the conditions applicable to the production services provided by ABL Europe for the clinical batches of drug candidates. This agreement succeeded the agreement of February 1, 2016, and eliminated the business volume guarantee previously granted by Transgene as consideration for a priority right for its orders.

### Loan agreement with the European Investment Bank (EIB)

In early January 2016, the Company obtained a €20 million loan facility from the European Investment Bank (EIB) under the IDFF (Infectious Diseases Finance Facility). A single tranche of €10 million was drawn down in June 2016. Transgene declined to draw down the second tranche. No guarantees were provided in connection with this credit facility. This is a five-year facility for which the principal will be repaid in full in June 2021.

### Revolving credit agreement with Natixis

In April 2019 the Company signed contract with Natixis, due to which it obtained a revolving credit agreement capped at €20 million, available in one or more draws. As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the value of its shares declines, in the event of a decline in the market price of Tasly BioPharmaceuticals on the Hong Kong stock market after its listing for instance, Transgene may be forced to repay part or all of the amounts borrowed. The agreement with Natixis contains a number of standard provisions, including an early repayment clause in the event of a change of control or certain events, plus restrictions placed on Transgene's debt. 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. 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. This loan agreement initially ran until October 2021. In March 2020, an amendment extended the availability of this credit facility until June 30, 2022.

### Agreement with Sanofi

In 2013, Transgene signed a collaboration agreement for the creation of a new advanced platform dedicated to the manufacturing of immunotherapy products, including Transgene therapeutic products. The platform was built on the Genzyme Polyclonals site in Lyon, and remains the exclusive property of Sanofi.

Sanofi and Genzyme will act as a bioproduction services company (Contract Manufacturing Organization – CMO) for Transgene and will manufacture clinical and commercial batches for Transgene's immunotherapy products based on MVA technology. Transgene will be a preferred customer of the commercial manufacturing platform for 15 years.

Construction of the viral vector production platform at Sanofi Genzyme Lyon was completed in June 2015. Certification by all health authorities of this platform for the production of large batches of "off-the-shelf", MVA-based therapeutic vaccines was first sought in 2016. Approval of the French health authority was obtained in May 2017 and final approval in the United States was obtained in January 2019.

### Tasly BioPharmaceuticals shareholders' agreement

In July 2018 Transgene subscribed 27.4 million shares of new stock issued by Tasly BioPharmaceuticals, or 2.53% of its equity, through an asset contribution of intellectual property in China necessary for the development and operation of a therapeutic vaccine against hepatitis B and Transgene's interest in the Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. joint venture. This investment was made as part of a raising of capital with institutional funds, to clear the way for Tasly BioPharmaceuticals to be listed on the Hong Kong Stock Exchange. The assets contributed by Transgene were valued by the parties at $48 million, and the per share value of the stock received was the price negotiated by the institutional funds. At the time of this capital increase, Transgene, the institutional funds, Tasly BioPharmaceuticals and its parent Tasly Holding Group signed a shareholders' agreement to define their relationships prior to the initial public offering. Besides the normal clauses such as a right of first refusal in the event a shareholder wishes to sell, Tasly Holding Group agrees to buy out the shares subscribed by Transgene should Tasly BioPharmaceuticals not be listed on the Hong Kong Stock Exchange before July 11, 2020, Transgene will have a put option exercisable as of July 2022 obligating Tasly Holding Group to enter into or have a third party enter into a contract for the sale of Transgene's equity investment in Tasly BioPharmaceuticals within three months at the original subscription price plus a contractual rate of annual interest.

### Consortium agreement in the NEOVIVA project

Transgene is a partner in and coordinator of a research program with, among others, Traaser, HalioDx and the Institut Curie. This program aims to develop an industrial ecosystem able to produce and develop personalized vaccines to treat cancer. That program is known as NEOVIVA and is supported by Bpifrance. The members of the consortium signed their agreement with Bpifrance in March 2019.

Under the NEOVIVA program, Transgene could receive grants and reimbursable advances of up to €0.2 million and €2.37 million, respectively, over the duration of the program. If the project is a success, defined in consultation with Bpifrance, Transgene shall be required, under certain conditions, to repay the advances in installments and then, if applicable, make additional repayments until 2040 or up to a cap of €3.35 million. These obligations relate to the candidate in development, TG4050. Transgene is not liable for any potential repayments by other members of the consortium.

### Consortium agreement for the ADNA (Advanced Diagnostics for New Therapeutic Approaches) project

Transgene was a partner in a research program coordinated by Institut Mérieux, which brings together, among others, bioMérieux, Transgene, Genosafe and the Genethon Association. The program's goal was to develop a new generation of diagnostics and therapies focusing on cancers and infectious and genetic diseases. This program, called "ADNA" ("Advanced Diagnostics for New Therapeutic Approaches"), supported by Bpifrance, began in 2007 and ended in 2016.

Under the ADNA program, Transgene received a total of €8.3 million in grants and €15.9 million, in reimbursable advances. If the project is a success, defined as the marketing of a product for which a grant has been awarded and attaining a minimum revenue level, Transgene must, under certain conditions, repay the advances in installments and then, if applicable, make additional repayments until 2035 or up to a defined minimum. These obligations relate to the TG4010 and TG4001 drug candidates.

### Licensing agreement with Ascend

In July 2013, Transgene granted Ascend BioPharmaceutical ("Ascend"), a biotechnology company based in Australia, a license for the immunotherapy product TG1042 to treat a common form of skin cancer, basal cell carcinoma (BCC), and two other cancer indications, with Transgene retaining rights to other potential indications.

### Collaboration and licensing agreement with Valneva

In July 2011, Transgene and Vivalis (now Valneva) signed a collaboration and commercial licensing agreement for the development of a production process using the Vivalis EB66® cell line, suitable for the production of Transgene MVA therapeutic vaccines.

As part of this agreement, Transgene could be required to make milestone payments at certain stages of clinical development and pay royalties related to sales of Transgene products made from Valneva's EB66® cell line. Valneva will also receive income related to GMP manufacturing of initial clinical batches.

## 1.2.5 Competitive advantages

Transgene believes that its therapeutic approaches and its technologies differ from current treatments in immuno-oncology and that they have the potential to deliver significant improvement to the clinical results of cancer patients.

The Company's main competitive advantages are described below.

### The MVA vector technology platform

The MVA platform is one of Transgene's technology platforms and is designed to allow a maximum number of gene transfer applications. It makes available delivery techniques for differentiated genes, suited to distinct clinical situations, specifically in the field of cancer. It has been put into use for several therapeutic vaccines currently under development and for the new *myvac*® personalized vaccine program.

This technology platform has the following potential advantages:

- **safety:** MVA is a Modified *Vaccinia* virus obtained from a viral strain unable to propagate in human cells;
- **ease of administration:** Transgene's technology is mainly focused on the development of ready-to-use products in ampules or vials, for direct administration to the patient; and
- **manufacturing efficiency:** production processes that allow for the application of practical cell culture and purification methods, ready for the production of commercial batches, have been developed.

### Invir.IO™, a patented platform to generate a new generation of oncolytic viruses

Transgene has an innovative platform to develop a new generation of multifunctional oncolytic viruses, armed with several "anticancer weapons" (see Section 1.2.2.2). Multifunctional oncolytic viruses are particularly promising therapies, with the potential to significantly improve the treatment of patients.

This platform leverages Transgene's historical know-how in engineering viral vectors. It is intended to generate, including through collaboration agreements, a portfolio of particularly innovative drug candidates able to modulate the tumor micro-environment.

### *myvac*®, an individualized vaccine based on an MVA

With *myvac*®, Transgene possesses a state-of-the-art platform for innovation in cancer-fighting immunotherapies. The Company's know-how in virotherapy enables it to incorporate coding sequences for antigens into our individualized immunotherapy. By incorporating sequencing and artificial intelligence into the design of the virus, *myvac*® signals the entry of viral vector-based approaches into the era of digital transformation and the precision oncology.

Transgene has created an organization able to design and manufacture this product, which is individualized for each patient, on a very competitive basis in terms of turnaround time and cost. This new therapeutic option could be a major improvement over existing therapies. *myvac*® is also the result of a policy that welcomes partners developing technologies that complement our expertise, so as to develop a multi-disciplinary approach.

### Integrated skills from research to clinical development

Transgene benefits from three decades of recognized scientific expertise. The Company has been active in the field of gene transfer therapy and immunotherapy since 1992, and has gained extensive know-how in key fields for its development: virology, the conduct of clinical trials, and regulatory matters.

### An extensive portfolio of patents

Transgene has applied for patents and will continue to do so to protect its products, vector technologies and related processes and other technologies. As of the date of this Registration Document, Transgene owns over 200 patents in several countries (including in Europe and the United States). Over 100 patent applications have been filed and are currently pending. In addition to its patent portfolio, Transgene has licenses for third-party patents and the use of third-party processes and technologies.

# 1.2.6 Principal markets and competitors

Transgene is an oncology (cancer treatment) R&D focused biotechnology company. It does not market any products.

## 1.2.6.1 Principal markets (oncology)

In 2018, 9.6 million deaths, or one in six deaths, was due to cancer worldwide. This disease remains the second cause of death in the world. It affected 18.1 million new patients in 2018 (source: WHO 2020). Cancer causes more deaths than AIDS, tuberculosis and malaria combined. The new version of the IARC (International Agency for Research on Cancer) online database, GLOBOCAN 2018, gives the most recent estimates for 28 types of cancer in 184 countries and provides a thorough overview of the global burden of cancer. By 2040, new cancer cases are expected to reach 27.5 million with cancer deaths increasing to 16.3 million, as a result of population growth and aging (source: American Cancer Society's Global Cancer Facts and Figures, 4th edition).

Surgery and radiotherapy are currently considered the best treatments available for most cancers. However, patients' chances of survival are reduced when the tumors are invasive and metastases appear. Chemotherapy and hormone therapy are the main treatments for cancers at these advanced stages. Nevertheless, except in the case of certain less common types of cancer such as acute childhood leukemia, Hodgkin's disease and testicular cancer, few patients are cured by these treatments and improving their chances of survival remains challenging. New anticancer treatments – called targeted therapies, which include ICIs – have emerged in recent years and several of them are already on the market. These therapies use agents that can specifically target and attack cancer cells without seriously harming healthy cells.

Immunotherapy is another new field in oncology. It uses the patients' immune system by either activating it against the cancer cells or by giving it additional protection, such as proteins produced by bio-molecular engineering. Transgene's cancer treatment programs mainly seek to stimulate and educate the immune system to induce tumor rejection or to directly destroy cancer cells.

The economic impact of cancer is considerable. Its estimated total cost amounted to $97 billion for 2017. The market is expected to reach $176 billion in 2025, assuming an annual average growth rate of 7.6%. The growth of the market is due to the increase in the number of cases as well as by access to new therapies (Allied Market Research).

### Recurrent HPV-positive head and neck cancers

Several types of cancers are linked with HPVs and known as "HPV-positive". These notably include head and neck cancers and anogenital cancers:

- squamous cell carcinoma of the head and neck (SCCHN) bring together different cancers that affect the mouth cavity, pharynx and larynx. The incidence of head and neck cancers linked to HPV-16 has significantly increased over the last years. It is now recognized that infection by the HPV-16 virus is related to several sub-groups of SCCHN, and oropharyngeal cancers for over 85% (Kreimer et al, 2005), or around 10,000 patients in metastatic stage and second line of treatment;
- Other HPV-16 positive cancers include cancers of the cervix, vagina, vulva and penis, or around 15,000 patients in metastatic stage and second line treatment. Sources: meta-analysis, IARC, Globocan, SEER - EU28, U.S.A.

The current treatment options are surgical resection with either radiotherapy, radio-chemotherapy and/or immune checkpoint inhibitors (ICIs). More efficient treatments need to be developed to treat these diseases, especially for advanced metastatic HPV-positive head and neck cancers. Combining immunotherapy with ICIs could be a promising therapeutic option to meet this major medical need. With the ICIs, the median overal survival remains inferior to 11 months, with a median progression-free survival in the order of 2 to 4 months. The overall response rates fall between 10% and 15% depending on the indication.

The global economic burden of head and neck cancer indications was $580 million in 2016.

### Gastro-intestinal and colorectal cancers

Gastro-intestinal cancers include several forms of cancer of the digestive system. They include cancers of the esophagus, gallbladder, liver, pancreas, stomach, small intestine, colon, rectum and anus.

Colorectal cancer (CRC) is the third most frequently diagnosed cancer and the second leading cause of cancer death in the world. In 2018, almost 500,000 new cases of CRC were reported in Europe, with 242,000 deaths. Worldwide, this represents 1.8 million new cases and 881,000 deaths (Globocan 2018). Around half of patients develop liver metastasis, of which only a small proportion are eligible for surgical resection. In the last decade, the prognosis for patients with metastatic CRC has improved, with an averal median survival of 30 months.

### Ovarian cancer

Ovarian cancer is generally aggressive and detected at an advanced stage. Worldwide, it is the eighth cause of cancer deaths in women, but the fifth cause of cancer death in Western Europe and North America. This represents 295,000 new cases worldwide and 185,000 deaths (Globocan 2018).

Treatment of ovarian cancers is mainly based on surgery, which aims to remove the entire tumor and its extensions outside of the ovaries. Chemotherapy is often prescribed after this operation to eliminate any remaining cancer cells and reduce the risk of recurrence. Whilst over 70% of patients have a positive clinical response to this treatment, the majority of women will have a recurrence. New treatments have been authorized that enable improved progression-free survival but without significant improvements to overall survival. The aggressive and advanced ovarian cancer forms continue to represent a significant medical need.

### HPV-negative head and neck cancers

Squamous cell carcinoma of the head and neck bring together different cancers that affect the mouth cavity, pharynx and larynx. When they are not linked to an HPV infection (see above), they are generally due to excessive alcohol or tobacco consumption and have a more unfavorable prognosis. With the exception of cancers such as oropharyngeal cancers, which are mainly due to HPV, most head and neck cancers are HPV-negative. We estimate the number of new HPV-negative cases at just over 800,000 worldwide per year, with around 400,000 deaths. There are considerable regional differences in terms of incidence (Globocan 2018).

For patients diagnosed at a locoregional stage, surgical treatment must be combined with a therapy such as adjuvant radiation therapy or chemo-radio therapy. These different adjuvant treatments aim to reduce the risk of recurrence. However, disease recurrence is observed during the first year after treatment in almost half of patients (Pagh A. et al., 2016).

## 1.2.6.2 Competition

The Company is operating in a competitive environment in which many of the other companies have more substantial financial and human resources than it does. These competitors could roll out technologies similar to the Company's viral platforms or develop and market therapies for the same indications as the Company.

For example Bavarian Nordic AS, BioNtech, Gritstone and Vaccibody, with respect to therapeutic vaccines (notably personalized), and Amgen, Replimune and PsiOxus, with respect to oncolytic viruses, are all trying to develop viral immunotherapies.

Although there is currently no effective treatment to cure all cancers or solid tumors in particular, some treatments able to prolong survival, such as chemotherapy, are recognized. The outlook for patients has improved over recent years with targeted therapeutic approaches, monoclonal antibodies, small chemical molecules and immunotherapies (including ICIs). These medications are therefore competing or complementary products, depending on their mechanism of action. Transgene's immunotherapies (therapeutic vaccines and oncolytic viruses) act to stimulate the patient's immune response and can be combined with ICIs or chemotherapies.

In the treatment of chronic hepatitis B (indication for TG1050), the standard treatment is a class of antivirals, the nucleosides. One of the treatments, Entecavir, is now available as a generic medication and the other treatment, Tenofovir (Viread®), is commercialized by Gilead. Other products at varying stages of development exist, including the Gilead, Arbutus and Alnylam programs.

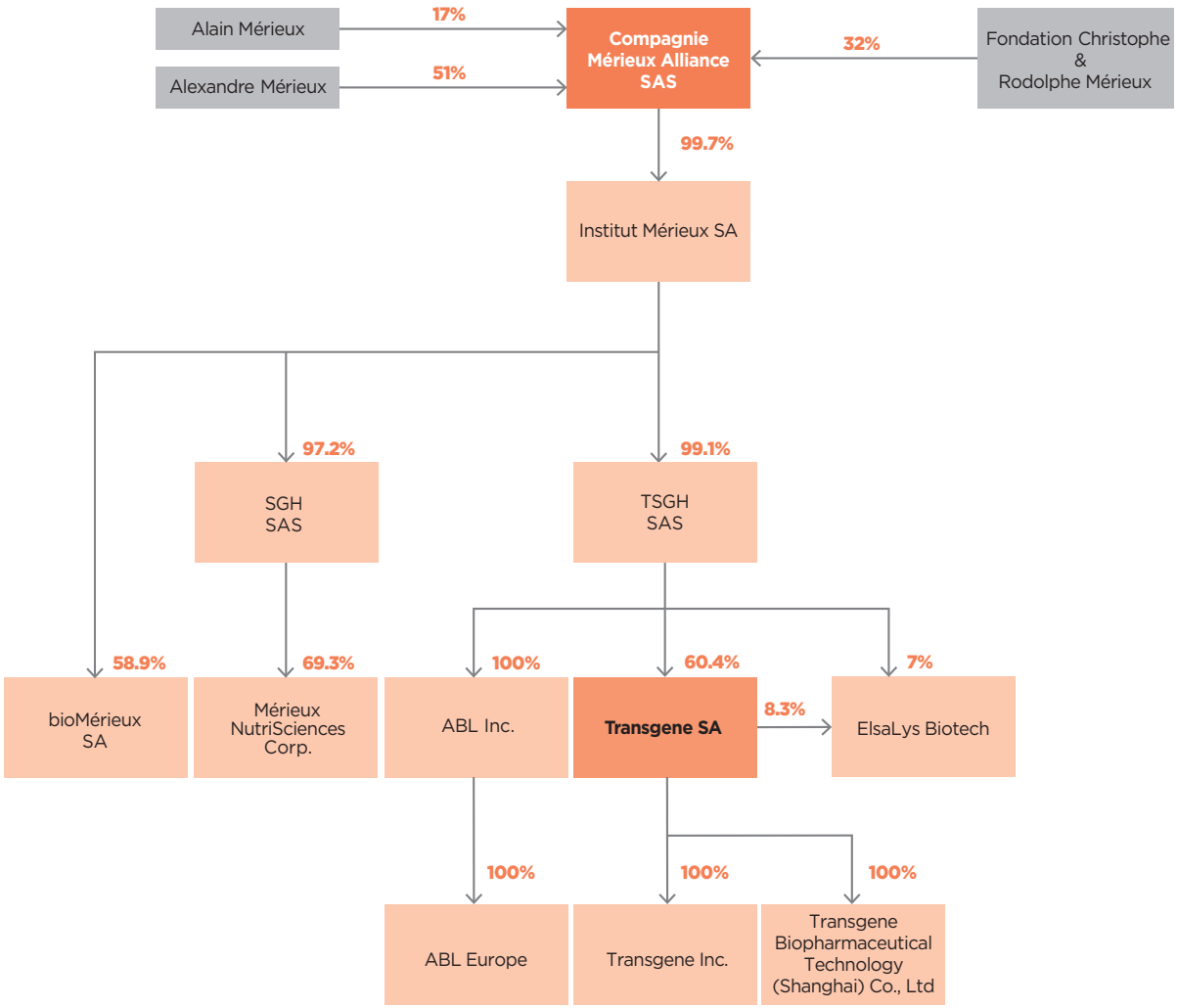
However, despite the advances made in cancer treatments, innovative therapies still need to be developed to extend patients' lives and improve their quality of life.

# 1.2.7 Organizational chart

## 1.2.7.1 Relationship with the Institut Mérieux group

Transgene is 60.4% owned by TSGH, a financial holding company, which in turn is 99.1% owned by Institut Mérieux itself 99.7% owned by Compagnie Mérieux Alliance, which is 68% owned by the Mérieux family and 32% owned by Fondation Christophe and Rodolphe Mérieux. Philippe Archinard, Chairman and CEO of Transgene, is also the Chief Executive Officer of TSGH, in which he holds a 0.9% stake, the permanent representative of TSGH on the Board of Directors of ABL, Inc., a subsidiary of TSGH, and a director at, bioMérieux SA, a subsidiary of Institut Mérieux.

Within this group, bioMérieux works on clinical diagnostics, Mérieux NutriSciences provides services in food security and health, and Transgene focuses on immunotherapy research and development.



## 1.2.7.2 Subsidiaries and investments

### Transgene, Inc.

The Company has a subsidiary in the United States, Transgene, Inc., based in Boston, Massachusetts, in which it holds 100% of its capital and voting rights. This subsidiary represents Transgene before various organizations, regulatory authorities and study centers for its clinical trials in the United States. In this context, it comes under the operational control of Transgene, charges its costs to Transgene and has no significant assets. Philippe Archinard, Chairman and Chief Executive Officer of Transgene and Jean-Philippe Del, Vice-President, Finance, are directors of Transgene, Inc.

### Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd.

Transgene created a new subsidiary in China in February 2020, Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd., based in Shanghai, in which it holds 100% of the capital and voting rights. This company was established to accommodate collaborations conducted by Transgene in Chinese territory. In this context, it comes under the operational control of Transgene and has no significant assets. Éric Quéméneur, Maud Brandely and John Felitti, are directors of this company. Philippe Archinard is its supervisor.

### ElsaLys Biotech SA

In 2013, Transgene acquired a stake in the capital of ElsaLys Biotech SAS. The latter was founded by former Transgene managers, alongside the Sofimac Partners investment fund, to develop monoclonal antibodies, a field of research still at a very early stage that Transgene did not wish to pursue at the moment, given its commitment to the development of viral vectors. As of December 31, 2019, Transgene's equity interest in ElsaLys Biotech was 8.25%. Transgene is no longer represented on the Board of Directors.

# 1.3 DESCRIPTION OF ACTIVITIES

## 1.3.1 Key activities of the year

2019 was marked by remarkable progress for two of our platforms *myvac*® and Invir.IO™. We completed all the regulatory steps required to start the U.S. and European clinical trials of TG4050 in January 2020. The clinical development of this first individualized therapeutic vaccine from myvac® is co-financed by NEC. The collaboration with AstraZeneca is moving along very well, and the first oncolytic viruses from the Invir.IO™ platform have thus been delivered. This platform has also generated new candidates, including BT-001, which is co-developed with BioInvent. The preclinical results of this oncolytic virus are very encouraging and allows us to consider starting clinical trials before the end of 2020.

**The clinical trials for the more mature products continued in 2019.** Thus, the results of the phase 1b part of the combination trial of TG4001 were presented at the ESMO congress. Three out of six patients that received the recommended dose responded to the treatment, which is promising for this particularly difficult indication. Phase 2 of this trial continues and recruitments are in line with expectations. The independent data monitoring committee of the Phocus trial assessing Pexa-Vec in phase 3 of the first line of treatment for liver cancer recommended it to be discontinued, judging attainment of the main evaluation criterion not very likely. Transgene had decided to end the trial, for the same indication, with Pexa-Vec and nivolumab. In December, Transgene announced that the primary endpoint had not been reached in the combination trial of TG4010 for lung cancer and that the Company would not continue with the clinical development of this product. To date, Transgene's portfolio comprises four products under clinical development (TG4001, TG4050, TG6002 and BT-001), and two new-generation platforms (*myvac*® and Invir.IO™).

**Transgene has the resources to continue to develop its product portfolio.** In 2019, the Company benefited from $10 million received at the signing of the contract with AstraZeneca. It also reinforced its capital thanks to the success of the €48.7 million capital increase finalized in July 2019, the obtaining of Bpifrance financing for the NEOVIVA consortium and the negotiation of a €20 million credit line with Natixis, for which the Tasly BioPharmaceuticals shares held by Transgene must be pledged.

Thanks to its technologies and diversified product portfolio, Transgene has numerous levers to obtain the proof of concepts required for signing new partnership agreements.

## 1.3.2 Presentation of the financial statements

### 1.3.2.1 General information

The products developed by Transgene are immunotherapies based on viral vectors. Potential peak sales could exceed a billion euros per year, in cancers such as colorectal cancer. Immunotherapy, including immune checkpoint inhibitors (ICIs), has been an area of significant clinical progress for the past several years. Transgene focuses on severe diseases for which better treatments will increase life expectancy. The viral approaches used by Transgene have a favorable tolerability profile.

Transgene designs and develops drug candidates at preclinical and clinical development stages. The Company intends to obtain proof of concept of the clinical efficacy of its immunotherapies in humans, used as a monotherapy and/or in combination, in particular with ICIs. Once proof of concept is established, Transgene intends to license its products to pharmaceutical industry players.

In order to better valuate its technology platform based on viral vectors, and with the aim of subsequently signing licensing contracts, Transgene also plans to sign collaborative development agreements with pharmaceutical industry and/or biotechnology companies. Transgene does not plan to produce or market its products on a large scale.

### 1.3.2.2 Major accounting principles

#### Revenue recognition

At the date of this Registration Document, with no products on the market, Transgene generates revenue from (i) collaboration and licensing agreements signed with other companies in its sector (see Section 1.2.3 and 1.2.4) and (ii) public funding of research expenses (grants and research tax credits).

Some collaboration and licensing agreements provide for research or manufacturing services by the Company, with obligations to customers. The Company invoices its services at a contractually defined price that is generally based on time spent, and billings are recorded in operating income as and when the services are performed. Some of these contracts provide for manufacturing services with a performance obligation. In these cases, the services are recorded in operating income in the income statement after satisfactory quality control and customer acceptance. Cash receipts corresponding to income not yet recognized as income in accordance with the principles outlined above are recorded as "deferred income" on the balance sheet until they meet the criteria for recognition as operating income. Income from patent licenses generally consists of fees for access to technology paid and non-refundable on the signing of the agreement, and financing by milestone payments and other payments such as royalties on sales.

The Company may be required to grant an option right for a license. Income associated with the concession is recorded as "deferred income" on the balance sheet and recognized as income on a straight-line basis until the estimated date of exercise of the option by the beneficiary. The expected date of exercise of the option is reviewed periodically.

In the event that the Company is not committed to perform work for the development of technology after signature, the non-refundable fees for technology usage rights paid when the license is signed are recognized as "operating income" upon the fulfillment of the contractual obligations. In the event that the Company should continue some development work in the technology after signature, or if it has a higher obligation to deliver the product, these rights are recognized in deferred operating income over the period of development or delivery of the product.

Milestone payments received under collaboration and licensing agreements are recognized as income when the operative event has occurred and there are no longer any conditions precedent to the payment by the third party. Operative events are usually the scientific or clinical results obtained by Transgene, the commencement of studies or external factors such as regulatory approvals.

Royalties on sales received under collaboration and licensing agreements are based on sales by licensees of products or technologies. They are recognized on the basis of the license terms, when the sales can be reliably measured and recovery of the related receivables is reasonably assured.

Certain research and development expenses in France are entitled to a research tax credit recognized at the end of the year in which the expense was recorded and the tax credit claimed. If it has not been used by allocation to a tax charge, the tax credit may be redeemed in accordance with the tax provisions. Research tax credits are recognized in the income statement under "Public funding for research expenses" in accordance with IAS 20.

### Research and development expenses

Research and development expenses are recognized on the income statement in the period in which they are incurred. Development expenses are capitalized only when IAS 38 requirements are met. At the current development stage of its products, the Company believes that, at the date of this Registration Document, these conditions were not met, and therefore, it did not capitalize its development expenses.

### Share-based payments

The Company distributes stock options and bonus shares to its officers and employees. The charge for these distributions is evaluated and spread over time, according to the principles of IFRS 2.

### Benefits at retirement

In accordance with the prevailing laws and practices in France, Transgene offers certain benefits to ensure eligible employees receive a lump sum payment at the time of retirement (severance retirement plan). In accordance with the obligations and regulations, these defined benefit plans may be funded by investments in various instruments. The rights acquired by active staff are estimated using actuarial valuations based on the probability of death and continued employment by the Company, as well as expected future salaries. The benefit obligation is measured by the projected unit credit method. This provision does not apply to employees of entities located abroad.

### Financial assets

Financial assets consist of deposits and guarantees for leased assets or debt from a financial institution, equity securities, earn-outs due on the sale of interests, and cash advances made to non-consolidated equity investments.

The valuation of investments is based on an analysis using the fair value method. This valuation is periodically reviewed at each balance sheet date.

Earn-outs due on the sale of our interest in Jennerex, Inc. are valued at amortized cost and revalued each year based on expected changes in cash flow. Future cash flows are re-estimated and discounted each year-end based on the progress of the clinical program and estimated success rates for each clinical phase. The impact of this re-estimate is recognized in Net finance cost.

Other financial assets are recorded at cost and depreciated, as needed, if their carrying value exceeds their recoverable amount as estimated by the Company.

### Investments in associates

As of December 31, 2019, the Company no longer has any investments in associates accounted for using the equity method. At the end of 2018, they corresponded to Transgene's 8.25% stake in ElsaLys Biotech SA.

### Conditional advances

Conditional advances are only reimbursed if the research and development projects that they finance are successful, according to criteria set out in advance with the funding body. They are recognized under long-term financial debt in accordance with IAS 20.

Reimbursable advances received as part of the ADNA program are recorded according to IRFS 9, based on discounted expected future reimbursements. The reimbursement of advances is subject to the fulfillment of a revenue threshold on TG4010 and TG4001 products predetermined for the following five years, and in proportion to the revenue from these products until a reimbursement ceiling is reached, or up until 2035. Future cash flows are re-estimated and discounted each year-end based on the update on the revenue prospects of the two products. The impact of this re-estimate is recognized in net finance cost.

## 1.3.3 Financial position and appropriation of net income

The Company has historically incurred losses and expects to continue to incur more losses over the next few years, due to costs incurred by its research and development programs and preclinical and clinical trials. In previous years, the main sources of Transgene revenue were the remuneration of service contracts for third parties, research and development collaboration and government subsidies. Future revenue should be limited to payments related to existing and future strategic partnerships with pharmaceutical companies, third party research contracts, current or future license agreements, financial income from cash investment and public funding.

### Comments on operating results (IFRS standards)

**Fiscal years ended December 31, 2019 and 2018**

#### INCOME STATEMENT

| *(in € thousands, except for per-share data)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Revenue from collaborative and licensing agreements | 6,652 | 1,335 |
| Public funding for research expenses | 6,644 | 5,749 |
| Other income | 437 | 35,835 |
| **Operating income** | **13,733** | **42,919** |
| Research and development expenses | (31,385) | (27,342) |
| General and administrative expenses | (7,134) | (6,991) |
| Other expenses | (668) | (1,211) |
| **Net operating expenses** | **(39,187)** | **(35,544)** |
| **Operating income/(loss)** | **(25,454)** | **7,375** |
| Net finance cost | 6,650 | (2,021) |
| Share of profit/(loss) of associates | - | 2,675 |
| **Income tax expense** | **(18,804)** | **8,029** |
| Income tax expense | - | - |
| **Net income/(loss)** | **(18,804)** | **8,029** |
| **Net income/(loss) from discontinued operations** | **-** | **-** |
| **NET INCOME/(LOSS)** | **(18,804)** | **8,029** |
| Basic earnings per share | (0.23) | 0.13 |
| Diluted earnings per share | (0.23) | 0.13 |

#### Operating income

During the periods under review, income from the collaboration and licensing agreements, representing €6.7 million in 2019 versus €1.3 million in 2018, consisted primarily of the following items:

- research and development services for third-parties of €6.6 million in 2019 (versus €1.3 million in 2018), which largely (€5.3 million) reflect revenue recognized over the period under the collaboration with AstraZeneca; and
- income related to the commercial use of technologies or products provided under license by Transgene amounting to €0.06 million in 2019 compared to €0.03 million in 2018.

Public funding for research expenses accounted for €6.6 million in 2019 versus €5.7 million in 2018, relating to the research tax credit and to grants received and receivable:

- the research tax credit (RTC) amounted to €6.5 million in 2019 (€5.7 million in 2018); and
- research subsidies were €0.1 million in 2019 and zero in 2018.

## Other income

Interest income stood at €0.4 million in 2019 versus €35.8 million in 2018. This decrease is attributable to the sale of rights in TG1050 for Greater China to Tasly BioPharmaceuticals for €35.6 million in July 2018.

The following table details R&D expenses by type:

## Operating expenses

***Research and Development "R&D" expenses***

R&D expenses amounted to €31.4 million in 2019 versus €27.3 million in 2018.

| *(in € millions)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Payroll costs | 11.2 | 11.2 |
| Share-based payments | 0.9 | 0.3 |
| Intellectual property expenses and licensing costs | 0.8 | 0.9 |
| External expenses for clinical projects | 10.9 | 7.9 |
| External costs on other projects | 1.6 | 1.5 |
| Operating costs | 4.2 | 3.4 |
| Depreciation and provisions | 1.8 | 2.1 |
| **RESEARCH AND DEVELOPMENT EXPENSES** | **31.4** | **27.3** |

Employee benefits expenses allocated to R&D (wages, employer contributions and related expenses) amounted to €11.2 million in 2019, the same as in 2018.

Share-based payments were €0.9 million in 2019 versus €0.3 million in 2018. This increase was due to two free share allocations to employees in 2019.

Intellectual property and licensing expenses amounted to €0.8 million in 2019 versus €0.9 million in 2018.

External expenses for clinical projects amounted to €10.9 million in 2019 versus €7.9 million in 2018. This increase was due to the launch of new clinical studies in 2019 and by the continuation of clinical studies in progress. Following the decision to cease development of TG4010, an accounting provision of €0.9 million was created for the still unincurred costs of this product's ongoing clinical trial.

External expenses for other projects (research and preclinical) were €1.6 million in 2019, versus €1.5 million in 2018.

Operating expenses, including the cost of operating research laboratories, represented to €4.2 million in 2019, compared to €3.4 million in 2018.

***Overhead expenses***

General and administrative (G&A) expenses amounted to €7.1 million in 2019 versus €3.4 million in 2018.

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

| *(in € millions)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Payroll costs | 3.2 | 3.3 |
| Share-based payments | 0.4 | 0.2 |
| Fees and administrative expenses | 2.8 | 2.8 |
| Other G&A expenses | 0.6 | 0.6 |
| Depreciation and provisions | 0.1 | 0.1 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | **7.1** | **7.0** |

Employee costs represented to €3.2 million in 2019 versus €3.3 million in 2018.

Fees and administrative expenses amounted to €2.8 million in 2019, the same as in 2018.

## Other expenses

Other expenses were down to €0.7 million in 2019 versus €1.2 million in 2018. In 2019 these related primarily to the Company's decision to stop recognizing inventory on the balance sheet, which represents an expense for the period of €0.4 million.

### Financial income/(loss)

Financial income was positive at €6.7 million in 2019 versus a net loss of €2.0 million in 2018.

Financial expense amounted to €9.9 million in 2019 (versus €0.3 million in 2018) and primarily involved:

- a downward reassessment of the debt owed to Bpifrance on the advances received under the ADNA program following the discontinuation of the clinical development of TG4010 (income of €8.7 million in 2019 versus expense of €1.0 million in 2018);
- the present discounting of the debt owed to Bpifrance on the advances received under the NEOVIVA program (€0.08 million in 2019);
- Investment income remained stable at €0.1 million in 2019.

Financial expense amounted to €3.2 million in 2019 (versus €2.0 million in 2018) and primarily involved:

- bank interest on the loan received from the EIB (€0.8 million, as was the case in 2018);
- the present discounting of the contingent proceeds on the sale of Jennerex, Inc. stock to SillaJen Inc. in 2014 (€0.3 million, just as in 2018);
- interest on the financing of the RTCs (€0.3 million);
- the interest on financial leases (€0.2 million, the same as in 2018).

### Net income/(loss)

Net income before tax was a loss of €18.8 million in 2019 versus a net profit of €8.0 million in 2018.

Net income per share was therefore a negative €0.23 in 2019 versus a positive €0.13 in 2018.

### Dividend policy

The Company has not distributed a dividend since its formation. In the coming years, it plans to use all available funds to finance the business and future growth.

### Post-closing events

Since January 2020, the Covid-19 coronavirus has spread from China and in March 2020, the World Health Organization declared a global pandemic. As of the date of this document, containment measures have been put in place in France and several countries. If containment and global spread were to continue, the impact of the disease and the containment measures adopted by governments and the civil society could cause dysfunction in the supply and shipping chain on which the Company depends, lack of visibility in the scientific community due to the cancellation of international conferences, disorganization of the clinical sites participating in its clinical studies, delay or inability to produce its drug candidates, or even temporary closure of our establishments. As of today, the Company cannot be assured that it would be possible to implement its clinical study program under the conditions and within the time frame initially planned, if one or more of these risks should materialize. The materialization of these risks would also have a downward impact on the Company's anticipated level of expenses, as well as on expected revenues from collaborations, which are difficult to quantify precisely at the date of this document.

## 1.3.4 Cash flow, financing and capital resources

To date, the Company has been funded by capital increases. Historically, the Company has mainly been financed by its majority shareholder, due to that shareholder's wish to maintain its level of control and interest (see 1.4.2.1 Risks related to the funding of the Company's development and activities).

### Investments

Investments in tangible and intangible assets (net of disposals) increased to €1.1 million in 2019 (€0.5 million in 2018).

### Repayable advances and loans

Since 2016, Transgene has benefited from a loan granted by the European Investment Bank (EIB) in the amount of €10 million. The principal of this loan will be payable in full in June 2021. The accumulated interest of the first three years was paid in the first half of 2019 in the amount of €2.3 million.

In April 2019 the Company signed a revolving credit agreement with Natixis, capped at €20 million, available in one or more draws. As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. This loan agreement runs until June 2022 and, as is typical of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest. The Company made no draws on this credit facility in 2019.

In 2019, Transgene acted as lead company in a new research program, NEOVIVA, supported by Bpifrance. The Company could receive up to €2.6 million (€0.2 million in subsidies, €2.4 million in reimbursable advances) over five years as from 2019.

### Liquidity and capital resources

The Company's cash is invested in short-term money-market mutual funds or placed, at market conditions, in a cash pool managed by the majority shareholder of Transgene, Institut Mérieux.

As of December 31, 2019, the Company's available cash amounted to €43.3 million versus €16.9 million on December 31, 2018.

At the date of this document, the Company had no bank debt subject to "covenants".

### Cash flow

The Company's net cash consumption amounted to €20.5 million in 2019, excluding capital increases, versus €24.5 million in 2018.

## 1.3.5 Investments



The main investments in tangible and intangible assets made by the Company during the past two years are as follows:

| 2019 | Thousand euros | Principal investments |
|---|---|---|
| Tangible | 1,490 | Maintenance and laboratory equipment |
| Intangible | 39 | Softwares |
| **2018** | **Thousand euros** | **Principal investments** |
| Tangible | 661 | Maintenance and laboratory equipment |
| Intangible | 56 | Softwares |

*None of these investments had a unit value higher than €0.5 million.*

The forecast budget for tangible and intangible investments in 2020 amounts to around €0.7 million. This budget contains capital expenditures for the pilot manufacturing unit dedicated to small batches as well as current operating expenditures for replacing and improving equipment and facilities.

Investment in financial assets made over the last three years consisted in capital increases of companies:

- in July 2018 Transgene sold its 50% stake in the Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. joint venture together with the patent rights on TG1050 for Greater China for €41.4 million. In return, the Company has received Tasly BioPharmaceuticals Co. Ltd. securities in the same amount, accounting for 2.53% of that company's capital;
- in September 2018 the Company participated in the capital increase of ElsaLys Biotech SA by converting its €0.3 million current receivable into equity.

## 1.3.6 Foreseeable changes, outlook and significant events after the balance sheet date

### 1.3.6.1 Information on trends

In its press release dated March 11, 2020, the Company initially forecast a net cash burn of around €25 million for 2020. Due to the difficult-to-predict effects of the Covid-19 pandemic and the associated containment measures on the expenses and revenue assumptions on which this net cash consumption forecast is based (see 1.4.4.8), the Company cannot accurately estimate at this stage the impact of this pandemic on its cash consumption but considers that this impact would be moderate.

### 1.3.6.2 Profit forecasts or estimates

None

### 1.3.6.3 Significant change in the Company's financial or trading position

None

# 1.4 RISK FACTORS

The Company conducted a review of the risks that could have a material adverse effect on its activity, financial position, earnings or its ability to achieve its goals. In this section, in application of article 16 of the Prospectus regulation we present the categories of risk that we consider to be the most relevant to investors as of the date of this Universal Registration Document. Investors should note that the selection of risks presented below is based on the criteria set out under article 16 of the Prospectus regulation, and that an investment in the Company remains subject to additional risks which are either (i) unforeseen as of the date of this Universal Registration Document or (ii) the realization of which is not considered, as of the date of this Universal Registration Document, to be as likely to have a material negative effect on its activity, financial position, earnings or its ability to achieve its goals. For example, a category of risks related to commercialized products has not been included because the Company currently has no registered products and does not under our current business model intend to directly commercialize our products, but changes in the product liability regime or the marketing environment can be expected to have some effect on the value of our investigational drugs to partners and therefore on the value of our business.

Investors should carefully consider the following risk factors. They must also take note of the other information provided in this Universal Registration Document, in particular information related to the financial statements and notes thereto.

The table set out below summarizes the principal risk factors identified by the Company as of the date of this Universal Registration Document and indicates for each risk factor the likelihood of occurrence and the possible negative effect on the Company, in each case taking into account corrective actions and risk management measures that have been put in place. Based on the Company's evaluation, the likelihood of occurrence has been classified as "low", "medium" or "high" and the potential negative effect has been classified as "low", "moderate" or "critical". For each of the seven risk categories below, the order of the risks takes into account this classification with the risk having the highest likelihood of occurrence and most critical potential negative effect appearing first in the list.

| Ref. | Category | Risk | Probability | Potential impact |
|---|---|---|---|---|
| 1.4.1.1 | Partnership | Our portfolio of candidates may not meet our partners' requirements. | average | critical |
| 1.4.1.2 | | Dependence on partners. | average | critical |
| 1.4.1.3 | | Transgene may not be sufficiently visible to potential partners. | low | moderate |
| 1.4.2.1 | Finance | Available funds might be exhausted. | high | critical |
| 1.4.2.2 | | Capital needs might persist and even increase. | high | critical |
| 1.4.2.3 | | Revenues from partnerships might not materialize. | average | critical |
| 1.4.2.4 | | Licensing revenue is volatile. | high | moderate |
| 1.4.2.5 | | Partnership structures may not immediately increase liquidity. | average | moderate |
| 1.4.2.6 | | Financing efforts may have an unfavorable effect on existing shareholders. | average | moderate |
| 1.4.2.7 | | Uncertain value of equity securities in other companies. | high | critical |
| 1.4.2.8 | | Exposure to loans and factoring. | low | low |
| 1.4.2.9 | | French income tax laws could change unfavorably. | low | moderate |
| 1.4.2.10 | | High foreign exchange risk. | average | moderate |

| Ref. | Category | Risk | Probability | Potential impact |
|---|---|---|---|---|
| 1.4.3.1 | Portfolio | Poor market acceptance may limit the value of our products. | average | critical |
| 1.4.3.2 | | Our technological and competitive environment changes rapidly. | high | critical |
| 1.4.3.3 | | Combining therapies carries additional risks. | average | moderate |
| 1.4.3.4 | | Transgene could be unable to identify emerging technologies or integrate them successfully. | average | moderate |
| 1.4.4.1 | Clinical development | One or more of our clinical trials might fail/Our products might not be authorized for sale. | high | critical |
| 1.4.4.2 | | Opportunities might be lost due to long and costly regulatory process. | average | critical |
| 1.4.4.3 | | Difficulties in determining the necessary parameters for the success of our candidate drugs. | average | critical |
| 1.4.4.4 | | We may be involved in trial protocols that turn out to no longer be feasible or suitable for authorization, repayment or partnership opportunities. | low | critical |
| 1.4.4.5 | | The complex regulatory environment for clinical trials may impose heavy costs. | average | moderate |
| 1.4.4.6 | | Liability claims regarding products could harm our business. | low | low |
| 1.4.4.7 | | Uncertainties about the Brexit process. | average | low |
| 1.4.4.8 | | Propagation of the coronavirus Covid-19. | high | moderate |
| 1.4.5.1 | Manufacturing issues | Transgene's ability to produce TG4050 and fulfill its contractual obligations to AstraZeneca depends on the performance of a new in-house production line. | low | critical |
| 1.4.5.2 | | Dependence on outsourcers. | low | critical |
| 1.4.5.3 | | Dependence on critical suppliers in the procurement of raw materials and consumables. | low | moderate |
| 1.4.5.4 | | Environmental risks from making and using our products. | low | low |
| 1.4.6.1 | Intellectual property | The Company might fail to patent its products. | low | critical |
| 1.4.6.2 | | The Company may not be free to operate. | average | moderate |
| 1.4.6.3 | | Unpatented intellectual property may be difficult to enforce legally. | average | moderate |
| 1.4.6.4 | | Litigation about intellectual property is risky and costly. | low | low |

## 1.4.1 Risks in relation to partnerships

The Company's business model (see Section 1.2.1.1) entails out-licensing of our drug candidates and technologies to third-party partners for the completion of clinical trials, product registration and, ultimately, commercialization. Multiple risks affect such partnerships.

### 1.4.1.1 Our portfolio of candidates may not fit partner requirements

The pharmaceutical companies that make up the largest part of Transgene's partnering opportunities typically in-license product candidates to reinforce their own product pipelines for reasons which may be driven by their own technological capacities, perceived pipeline gaps including those caused by internal program failures, changes to strategy, competitive considerations or other fluctuating criteria and are not possible for Transgene to predict when they will make critical decisions in relation to their portfolio. While the pharmaceutical market overall is highly competitive, there are in reality typically a relatively small number of potential partners for a given candidate. As a result, even a phase 1 or 2 candidate which has the potential ultimately to be developed into a successful commercial product may not necessarily fit partner demand at the time when Transgene would ordinarily seek to out-license it. In addition to the opportunity cost, failure to out-license a candidate at such a juncture may require Transgene to continue costly development into the subsequent clinical stage, to accept lower value opportunities, or even to shelve the candidate.

### 1.4.1.2 Dependence on partners

Transgene will depend on a limited number of development and commercialization partners for the foreseeable future. Depending on the agreement, Partners may either decide or co-decide the development and commercialization paths for a candidate and may impose choices which Transgene considers sub-optimal for the candidate or for Transgene's overall product platform. In developments which provide for co-decision, there may also be cases in which development is blocked by failure to reach an agreement. Transgene's interests could also be affected if its partner were not to comply, or were unable to comply, with its regulatory obligations or with its contractual obligations with respect to Transgene and third parties In the event of disagreement, it may be difficult for Transgene to successfully assert its rights because of the difficulty inherent to litigating in a foreign court against a well-funded party. Even where there is no fundamental disagreement on the strategy of development or breach of contractual obligations, the results obtained by the partnered product in clinical studies or commercially or changes in a partners' business strategy may cause the partner to terminate our partnership. The failure or termination of a partnership could have a significant negative impact on Transgene's financial prospects or on investor sentiment concerning the Company. In cases where Transgene recovers the rights to the terminated product, there can be no assurance that a new partner can be found even after substantial additional investment by Transgene in the further development of the drug candidate. As of the date of this Universal Registration Document, the Company has signed the following agreements with partners for products it is developing:

- AstraZeneca: research and license option agreement on five oncolytic virus candidates from the Invir.IO™ platform (see Section 1.2.3).
- Tasly BioPharmaceuticals: transfer of Chinese rights to T101 and T601 (equivalents of TG1050 and TG6002) for a one-time payment in shares in 2018, with ongoing coordination and information sharing obligations relevant to TG1050 and TG6002 outside of China. (see Section 1.2.4.2);
- NEC Corporation: collaborative phase 1 clinical trials of the personalized vaccine TG4050 incorporating NEC's proprietary neo-epitope ranking algorithm. The further development and marketing for this vaccine will depend on future joint decisions with NEC Corporation. (see Section 1.2.3);
- BioInvent: collaborative development and co-ownership of BT-001 and a second undisclosed candidate, each an oncolytic virus from Transgene's Invir.IO™ platform incorporating a proprietary ICI from BioInvent. (See Section 1.2.3);
- SillaJen: in-license to Transgene of European manufacturing and marketing rights to the oncolytic virus Pexa-Vec (TG6006). Transgene and SillaJen share the development of the product, with each currently independently conducting clinical evaluations. A phase 3 trial of Pexa-Vec controlled by SillaJen was recently terminated in 2019 for futility. (see Section 1.2.4.2).

### 1.4.1.3 Transgene may not be sufficiently visible to potential partners

Because of Transgene's relatively small size and its location in Strasbourg, France, outside of the principal bio-pharmaceutical centers, the Company competes with other medical research companies with greater resources for generating publications, participating in key industry events and conducting business development. Consequently, Transgene risks being unable to convince a major partner and establish a partnership in timely fashion. The candidate drug proposed to potential partner has to fit with the partner's strategic objectives and be more attractive than competing candidate drugs.

## 1.4.2 Financial risks

The Company's development requires significant capital. Multiple risks affect our ability to continue to fund our activities.

### 1.4.2.1 Funding may run out

Based on current financial resources available to Transgene (cash, cash equivalents, other financial assets, equity stake in Tasly and Natixis credit line) and projected operating expenses, Transgene estimates that it has the financial capacity to finance its activities through 2022. Transgene estimates that the Company will be able to sell its shares in Tasly Biopharmaceuticals by 2022 and, if necessary, draw on the €20 million credit line available until June 2022 with Natixis. This also implies that additional cash resources will be required in the medium and long term. This entails that over the medium- and long-term additional cash resources will be necessary. If Transgene is unable to generate additional cash resources during that time frame, the Company may be required to significantly curtail one or more of its research and development programs or to cease operations altogether.

### 1.4.2.2 Capital requirements may persist and even increase

While Transgene's long-term business plan aims for stable operational sources of funds—such as royalties from out-licensed products—to reliably cover operating expenses, today Transgene's operations consume more cash than they generate. For example, in 2019, operational expenditures for the year were in excess of 31 million euro, whereas sources of funds from operations was significantly less than this at under 14 million. Moreover, our funds received from operations are not recurrent and may vary greatly from year to year. Potential increases in operating expenditures, whether unexpected expenses or the naturally increasing costs of clinical trials as development products pass from small early stage trials to larger later stage trials, may increase the net cash burn. Increased net cash burn could cause our projected cash resources for a given period to be inadequate, and require non-dilutive or dilutive funding more rapidly than anticipated.

The Company's future capital requirements will depend on many factors, including the following:

- the continued development of research & development programs and the extension of such programs;
- the extent and results of preclinical studies and clinical trials;
- the time and expense required to obtain regulatory authorizations;
- the ability to enter into partnership agreements to continue developing certain products;
- the necessity for large-scale manufacturing and distribution;
- the deadline, collection and amounts of payments under its collaboration agreements;
- the deadline, collection and amounts of sales and royalties for future products;
- the cost of preparing, filing, defending, maintaining and enforcing patent claims and other intellectual property rights; and
- the cost of obtaining and maintaining licensing rights to use patented technologies.

### 1.4.2.3 Revenues from partnering may not materialize

In the medium term, Transgene's strategy is to generate additional cash resources through the out-licensing of product candidates or other partnering structures. Out-licensing and other partnering structures are typically, although not always, remunerated by an up-front cash payment which can be applied to compensate net cash burn. There can be no guarantee that Transgene will succeed in partnering its products, or that the cash payments that Transgene is able to generate through its partnering activities will be sufficient to offset its cash burn over the medium term, whether because of the size or the timing of payments received.

### 1.4.2.4 Licensing revenues are volatile

Over the longer term, even so-called "recurrent" sources of licensing revenues are subject to significant contingencies, such as development failures or lower than expected product sales, and the fact that revenues in one year are sufficient to cover operational expenditures is not a guarantee that they will continue to be sufficient the following year. This is especially true if, as we expect will be Transgene's case for the foreseeable future, such revenues derive from a small number of products and do not benefit from the portfolio effect.

### 1.4.2.5 Partnering structures may not immediately increase liquidity

Even successful partnering may take a form which, while value enhancing for shareholders, does not reduce net cash burn or increase liquidity in the short- or even medium-term. For example, an initial upfront payment may be tied to an obligation to conduct a clinical trial the cost of which absorbs some or all of the cash received. Or as in the case of the buy-out of Transgene's interest in its former joint venture with Tasly BioPharmaceuticals in China, Transgene may receive assets which cannot be immediately converted into cash. Or the partnering structure may back load at the end of the period, with only small short-term payments.

### 1.4.2.6 Funding efforts may negatively impact existing shareholders

If Transgene is unable to generate sufficient funds through partnering activities, alternative sources of funding, if available, may reduce the value of existing shareholdings. Sales of assets of a company in financial distress may not extract full value. Credit may be available only on financially burdensome terms, and creates the future risk of default. Raising funds through the issuance of new shares is dilutive to existing shareholders and could be complicated by poor capital market conditions. Historically, the financing of the Company was provided, for the most part, by its majority shareholder, due in particular to the shareholder's interest in maintaining its level of investment and control. This interest could be a brake, if the majority shareholder does not have the means to pursue a capital increase and thereby imposes a limit on its amount.

### 1.4.2.7 Uncertain value of equity securities in other companies

The 27 million shares Transgene owns in Tasly BioPharmaceuticals represent a significant potential source of future funding; but Transgene's ability to liquidate this asset depends on the Tasly BioPharmaceuticals listed stock price or, in the absence of one, on Transgene's exercising an option on Tasly Holding Group, the major shareholder in Tasly BioPharmaceuticals. Tasly BioPharmaceuticals is presently pursuing a planned initial public offering on the Hong Kong Stock Exchange (HKSE). The success and timing of this planned IPO are not certain at this point and are subject to the circumstance of the present market and the uncertainty inherent in all financial markets. If Tasly BioPharmaceuticals succeeds in being listed on the HKSE or alternatively on another market such as Shanghai, Chinese corporation law will block the sale by Transgene of its shares for the first 12 months of listing, during which time the value of this asset will be exposed to market volatility. Should Tasly BioPharmaceuticals not be listed on the Hong Kong Stock Exchange before July 11, 2020, Transgene will have a put option exercisable as of July 2021 obligating Tasly Holding Group to enter into (have a third party enter into) a contract for the sale of Transgene's equity investment in Tasly BioPharmaceuticals within three months at the original subscription price plus a contractual rate of annual interest. This option was granted by Tasly Holding Group to protect Transgene and other pre-listing investors against the risk of Tasly BioPharmaceuticals not being listed for trading. The exercise of this option and execution of the sale entail risks such as counterparty risk and temporary restrictions on the exercise of the option or execution of the sale that could be applied if Tasly BioPharmaceuticals did succeed in being listed or went into a new listing process.

### 1.4.2.8 Exposure to lending and factoring

A significant portion of Transgene's current cash resources are provided through a loan of €10 million from the European Investment Bank which is due in June 2021 (see Section 4.1.2, Note 10), reimbursable advances from Bpifrance (see Section 4.1.2, Note 10), and factoring of annual research tax credits (see Section 4.1.2, Note 9). The Company has also implemented a renewable credit line with Natixis (see section, 4.1.2, Note 10) which has a maximum draw of €20 million until June 2022. This line of credit is secured by the shares of Tasly BioPharmaceuticals (see section 1.2.4.7) held by the Company. The drawing ability could be lowered if the value of the shares decreases, with an obligation to reimburse the amount of potential draws that exceeds the value of the any early revaluations. Transgene must reimburse these amounts either at their maturities or upon the occurrence of contractually defined events. Should Transgene not have rollover financing in place, reimbursement will reduce Transgene's available funds for future operations and potentially exhaust its financial resources.

### 1.4.2.9 French tax regime could change unfavorably

Transgene benefits materially from two features of the French corporate tax regime: the research tax credit and the ability to carry forward cumulated losses.

During the last three fiscal years, the Company recorded €6,619 thousand, €5,790 thousand, and €5,397 thousand in RTC in 2019, 2018 and 2017, respectively. Given the importance of the RTC in the financing of the Company's operations, if the RTC is modified or withdrawn due to a change in French tax policy, that would have an impact on the Company's financing abilities. Moreover, as with any tax benefit, the amounts received or claimed by the Company may be contested by the tax authorities, for example based on an assessment of eligibility of expenditure, sufficient supporting documents, or the calculation method.

We have accumulated tax loss carry forwards of €697 million as of December 31, 2019. Applicable French law provides that tax loss carry forwards can be used to offset up to 50% of net income, with the first €1.0 million of net income capable of being entirely offset. Under current French tax law the unused balance of the tax losses in application of such rule can be carried forward to future fiscal years, under the same conditions and without time restriction. The ability to offset a substantial part of future taxable gains increases the value to shareholders of revenues that Transgene may generate in the future. Changes to French tax rules limiting or eliminating Transgene's ability to apply the carry forward would therefore negatively impact the value of anticipated future cash flows and therefore the value of our shares.

#### 1.4.2.10 Exchange rate exposure is high

While Transgene's shares are quoted in euro and most of Transgene's expenditures and indebtedness is in euro, contracts in our industry (including our recent contract with AstraZeneca) frequently provide for payment of amounts defined in U.S. dollars, meaning that variations in the value of the dollar relative to the euro can cause a material change in our net cash burn for a given period or our ability to service debt. Furthermore, the value of Transgene's 27 million shares of Tasly BioPharmaceuticals depends on the value of the Chinese yuan (the currency in which Tasly BioPharmaceuticals conducts its business), the Hong Kong dollar (the currency in which the shares might be listed) or any other currency in which the shares of Tasly BioPharmaceuticals could be listed. This means that a change in value of these currencies against the euro may have a negative impact on one of Transgene's largest assets and on its future sources of liquidity.

## 1.4.3 Risks in relation to the portfolio

Because of the long development times of the portfolio of drug candidates generated by Transgene, decisions regarding the composition of that portfolio including the focus of exploratory research and regarding substantial expenditures on development must be made years before a partnering event or other opportunity to extract value from the candidate will occur. Multiple risks are related to our decisions regarding the composition of our drug candidate portfolio.

#### 1.4.3.1 Poor market acceptance may limit the value of our products

The portfolio of immunotherapy products currently under development by the Company consist primarily of therapeutic vaccines and oncolytic viral vectors. These are novel medical technologies for which clinical data on safety and efficacy remain limited and for which direct pricing benchmarks are virtually non-existent. Moreover, notwithstanding demonstrations of safety and efficacy through clinical trials, patients and care providers may be slow to adopt treatments based on genetically modified viruses. The ability of the Company's partners to successfully market its products will depend in part on the setting by public authorities, private health insurers and other organizations in Europe and the United States of reimbursement rates sufficient for its medications as well as the volume of prescriptions filled by patients. Expectations regarding marketing will drive our ability to out-license our products at an acceptable price, and actual future market adoption will drive the amount of revenues ultimately generated for Transgene through royalty payments.

#### 1.4.3.2 Our technological and competitive environment is rapidly evolving

One of the key criteria upon which Transgene selects the focus of its portfolio of drug candidates, both in terms of the entities under development and the indications being pursued, is the existence of an unmet medical need and our technological and competitive advantages in satisfying it. Because of the long development times of these drug candidates, in addition to the risks of clinical failure disclosed elsewhere (see section 1.4.4), this requires us to make judgments about what developments are likely to be made in the future by other companies and their impact on medical need. Although the Company endeavors to increase its technological capacities to remain competitive, the research and development activities conducted by its competitors could make the Company's products obsolete or not competitive, or they could offer better treatments. Moreover, patients and healthcare providers could prefer other existing therapies or therapies recently developed by the Company's competitors. This risk could also have an impact on our ability to include patients in clinical studies and on the scientific or commercial usefulness of the protocols of the studies under way. If the medical need originally targeted by our drug candidate is met by a competitor, whether through a product similar to ours or through a different therapeutic approach, the ability of our drug candidate to be approved, reimbursed at a satisfactory price and widely prescribed is diminished and its value as an out-licensed product is reduced. Assessing the technological and competitive environment of our drug candidates is reiterated over their entire development. To the extent that such a change to the environment materializes but is not timely recognized by the Company, we may continue to make investment decisions based on erroneous estimations of future returns.

#### 1.4.3.3 Combination therapies impose additional risks

The Company's candidate drugs are increasingly being administered in combination with other treatments such as chemotherapy or other immunotherapies. The choice of therapeutic classes and specific products that will be associated with our drug candidates is playing an increasing part in our development strategy, because the marketing authorization resulting from such studies will go to the specific combinations tested. The combination with another investigational product carries the risk that the side effects of the other product may be mistakenly attributed to a Transgene candidate or that the clinical trial will fail for reasons beyond the control of the Transgene candidate. Even obtaining a marketing authorization in combination with a marketed product exposes Transgene to the risk that its sales will be limited if the combined product is not as well accepted on the market as competing drugs.

#### 1.4.3.4 Transgene may miss emerging technologies, or fail to successfully integrate them

Transgene's current portfolio has been selected and developed to take advantage of the Company's leading expertise in a number of fields such as viral genome engineering, translational immunology, biomanufacturing, and bioinformatics. Exploitation of Transgene's areas of expertise is largely dependent on a key enabling technologies that Transgene must carefully identify and master to maintain its competitive edge. Recent programs have been designed by taking advantage of emerging methods, such as machine learning and artificial intelligence for the *myvac*® platform, or "tumor on a chip" for its Invir.IO™ platform. Advanced immune phenotyping technologies have been largely used in our clinical trials, for the monitoring of patient responses and for a better understanding of the mode of action of our products. Thus, technology survey and assessment are essential activities within the Company, both for the choice of candidates in our portfolio and their successful design and development. Transgene must additionally determine in each case whether the technology is to be fully integrated through recruitments, licensing and/or acquisitions, or managed through service providers or co-development partners. A failure on the part of Transgene to successfully identify its technological needs and integrate adequate capacity may limit its medium- and long-term development capabilities.

### 1.4.4 Risks in relation to clinical development

There are numerous uncertainties until the clinical development is completed

#### 1.4.4.1 One or more of our clinical trials may fail; our products might not be approved for marketing

The Company's products may only be marketed pursuant to a valid marketing authorization approval (MAA) for launch obtained through the conduct of successful clinical trials. In order to obtain an MAA, the Company, or its licensee, must demonstrate to the competent regulatory authorities, in particular the EMA and the FDA, the pharmaceutical quality of the products, their safety and their effectiveness for the targeted indications. Each Agency has its own MAA requirements, and approval in one geographical zone does not necessarily guarantee it will be obtained for other geographical zones. In particular, without FDA approval, it would be impossible for the Company to access the US market, which is the largest pharmaceutical market in the world in value.

Each stage of the clinical trials carries a significant risk of failure, which could prevent further development of the drug candidate. The latter may be poorly tolerated, not effective enough or may have no therapeutic benefit. For example, in December 2019, the Company announced that it had stopped developing TG4010 because the main assessment criterion of a phase 2 study in combination with nivolumab and chemotherapy had not been met. In vivo preclinical trials do not necessarily predict the results that will be obtained in humans. Likewise, positive results in early clinical phases obtained on a small number of patients may not be borne out in later phases on more patients. Drug candidates in an early stage of development, such as those from Transgene, face a higher degree of uncertainty than more mature candidates and make it difficult to assess our activities and prospects, which could increase the risk of an investment in Transgene.

#### 1.4.4.2 Opportunities may be lost because of the duration and cost of the regulatory process

If the clinical trial process cannot be managed to obtain results quickly and in a cost-effective way, Transgene may miss approval, partnering or marketing opportunities to faster competitors or be unable to complete the clinical trials resulting in higher costs and lower probability of success. Multiple factors contribute to this risk:

- clinical protocols, which describe the objectives of the study and the parameters to be used to measure safety and efficacy, must be approved by the regulatory authorities in the country in which the clinical studies are being conducted. The majority of countries have also put in place special committees that study the protocols using recombinant DNA product, like those of the Company, s before authorizing them for use (the Haut Conseil des biotechnologies in France, the National Institutes of Health's Recombinant DNA advisory committee in the U.S. and the Gene Therapy advisory committee in the United Kingdom);
- further, each clinical study must be approved by each study center's independent Ethics Committee. In particular, the Ethics Committee will assess the need for the study, the safety of the people involved in the trial and the potential liability of the medical center. The Ethics Committee is also responsible for monitoring the application of the protocols approved for the clinical trials in progress. The Ethics Committee could demand modifications to a protocol and there is no guarantee that it will authorize a study to commence or continue. This procedure can be conducted at the same time as the approval procedure by the Agencies, however, it could cause delays and considerable extra costs in addition to those relating to the regulatory examination procedure;
- the inclusion of patients for inclusion in the trials may be faster or slower, or indeed fail. Clinical trials with the Company's products in development are conducted in people with the target diseases. The number of patients who can and want to participate in a clinical trial is limited and inclusion can be a difficult and slow process, due to the competition for those specific patients with other approved or investigational therapies intended for the same population;

- to avoid interrupting a trial because of an inability to recruit the necessary number of patients within an acceptable time frame, the Company may need to increase the number of clinical centers, which adds to the cost of the trial;
- access to appropriate clinical sites may be difficult, preventing the initiation or conduct of the trial within a reasonable time frame;
- the cost per patient of clinical trials is particularly high, especially in immunotherapy and personalized medicine, which makes the later clinical testing (phase 3) particularly costly in indications that require a large number of patients to prove a therapeutic benefit, such as lung cancer, which is targeted by TG4010. Many of the Company's investigational drugs are being tested in combination with other therapies, creating an additional cost for the trial sponsor. These costs could exceed the Company's available cash resources and the Company would then need to seek financing, for example through partnerships with the pharmaceutical industry. There is no guarantee that the Company will be able to enter into such partnerships or that such alternative financing can be arranged.

### 1.4.4.3 Difficulties in discovering the parameters required to make our candidates-drugs

The success of a product generally depends on the identification of the regimen and route of administration, selection of patients, other products with which it is combined, or other factors extrinsic to our drug candidate. In this case, clinical trials of a drug candidate, even if they are positive, may not reach the statistical thresholds required to provide clinical proof of concept for further development and to obtain marketing authorization. If these parameters are not successfully defined, a product which, in the right context, could have obtained regulatory authorization and commercial success, can therefore be excluded.

To select patients that are most likely to benefit from a treatment, it has become almost indispensable to find biomarkers (particular biological characteristics) in them. It allows principally to predict or demonstrate their response to treatment. It cannot be guaranteed that the Company will succeed in identifying the relevant biomarkers for its products, even where a responsive sub-population of patients exist. Where biomarkers have been successfully identified, they must be incorporated into diagnostic tests, called companion diagnostics, which will then accompany the treatment so that it can be administered to those most likely to benefit. Validation of companion diagnostic tests is an entirely separate clinical development process that happens concurrently with the clinical trials for a treatment and adds a level of complexity and additional costs which may limit market adoption of our product even if obtains MA.

### 1.4.4.4 We may be committed to trial protocols that prove to be no longer be feasible or relevant for approval, reimbursement or partnering opportunities

The rapid changes in medical research and treatments available that have been seen in oncology, and immunotherapy in particular, present a major risk that a clinical trial protocol which once appeared well adapted to providing clinical proof of concept, obtaining marketing approval, negotiating satisfactory reimbursement and attracting partnering opportunities has become outdated. Once a clinical trial is initiated, changing its parameters is difficult and as a practical matter often impossible. If the standard treatments change during a clinical study, the level of results hoped for when the study was originally designed may turn out to be inadequate as compared to the therapeutic options that might have become available during the study. Changes in standards of care may also mean that the patient populations and the inclusion criteria are no longer appropriate, which can make it unfeasible to include patients in the clinical trial. In 2018, for instance, the sponsor of an independent clinical study dealing with TG4010 chose to stop its study largely for these reasons. Clinical results from other competing products may also cause the competent regulatory authorities to modify their evaluation criteria. As a result, the protocol may not provide for the collection of data, which are now required by health authorities. Finally, the choice of biomarkers or combination products made on best information at the inception of the trial may tie its results to technologies that are no longer favored several years later.

### 1.4.4.5 The complex regulatory environment of clinical trials may impose significant costs

In recent years, laws related to the pharmaceutical industry's interactions with healthcare professionals (typically referred to as "sunshine" and "transparency" acts) and handling of sensitive patient data (most notably the European Data Protection regulation and national implementing rules such as those of the French CNIL) have become increasingly stringent. To the extent that we do not comply with these rules in our handling of patient personal data or in our interactions with healthcare professionals, our conduct of clinical trials could generate reputational harm, fines and litigation costs.

### 1.4.4.6 Product liability claims could harm our business

Since Transgene tests its drug candidates on humans, the risk of being sued for product liability is inherent in its activities. Side effects or manufacturing defects in products developed and administered in clinical trials could lead to deterioration of the patient's condition, injury or even death. For example, the Company's liability could be called into question by patients participating in clinical trials in the context of the development of tested candidates and unexpected side effects resulting from their administration. Patients, regulatory bodies, biopharmaceutical companies and any other third party using or marketing the Transgene's products, could bring criminal or civil proceedings against it. Such allegations, even if they are unfounded, may make it impossible to continue developing the drug candidate and may damage the Company's reputation. These lawsuits could divert management from implementing its business strategy and could be costly to defend. In addition, if the Company is held liable in any of these possible lawsuits, it may incur significant penalties and suffer other damage to its reputation.

### 1.4.4.7 Uncertainty relating to Brexit

Our clinical trials in the U.K. are subject to the U.K. Medicines and Healthcare Products Regulatory Agency, or MHRA and EMA regulations. If the U.K. leaves the EU without any adequate withdrawal arrangements by the end of 2020, there could be considerable uncertainty as to the continued applicability of such regulations in the U.K. We are currently conducting clinical trials of TG6002 and TG4050 in the U.K. and we cannot be certain such trials and their eligibility to the research tax credit will not be affected by the nature of the withdrawal arrangements which will be concluded.

### 1.4.4.8 Propagation of the coronavirus Covid-19

Since January 2020, the Covid-19 coronavirus has spread from China and in March 2020, the World Health Organization declared a global pandemic. As of the date of this document, containment measures have been put in place in France and several countries. If containment and global spread were to continue, the impact of the disease and the containment measures adopted by governments and the civil society could cause dysfunction in the supply and shipping chain on which the Company depends, lack of visibility in the scientific community due to the cancellation of international conferences, disorganization of the clinical sites participating in its clinical studies, delay or inability to produce its drug candidates, or even temporary closure of our establishments. As of today, the Company cannot be assured that it would be possible to implement its clinical study program under the conditions and within the time frame initially planned, if one or more of these risks should materialize. The materialization of these risks would also have a downward impact on the Company's anticipated level of expenses, as well as on expected revenues from collaborations, which are difficult to quantify precisely at the date of this document.

## 1.4.5 Risks In relation to industrial affairs

The viruses on which Transgene's immunotherapies are based require highly specialized manufacturing, which expose an investment in the Company's shares to a number of specific risks.

### 1.4.5.1 Transgene's ability to produce TG4050 and to perform its contractual obligations to AstraZeneca depend on the performance of a new internal production line

The timelines and batch production size (and therefore cost) of Transgene's current manufacturing sub-contractors are not compatible with the rapid turn-around times required to produce the small patient-specific batches of TG4050, for which we target a delivery of the patient-specific drug product within three months of our receiving the patient samples allowing us to launch the design and fabrication process. To overcome these production issues, the Company has acquired the means to produce internally and to GMP standards small batches of pox virus-based products for purposes of research and small-scale clinical studies. This production line can also manufacture small batches of our Invir.IO™ products. The contract with AstraZeneca intends to benefit from the competitive advantage provided by this faster, less costly production method for initial testing of the option products. A first production line has been installed, tested and approved by the French health authority (ANSM), and a second line is currently installed and undergoing testing. If the new production equipment is not available and approved by the French health authority (ANSM) in the time frame planned or if they prove to take longer to install or if they are less reliable than the Company contemplated, the Company risks disorganization and delay in some of its activities, most notably an incapacity to supply the TG4050 product for the phase I trials and to make timely delivery to AstraZeneca under our contract, with consequence for the costs and even the feasibility of some of its projects.

### 1.4.5.2 Dependence on subcontractors

The Company no longer has an internal large-scale manufacturing unit and since 2016 has subcontracted the manufacturing of the large-scale GMP product batches required for its clinical studies. The manufacturing unit of the sub-contractor, ABL Europe, does not have sufficient capacity to guarantee the commercial-scale production of these products beyond the initial launch phase. The Company secured its ability to subcontract commercial-scale manufacturing of some of its products by entering into a partnership with Sanofi Genzyme. The Company would need to make substantial additional investment to have its products manufactured on a commercial scale by other third parties or to manufacture the products internally again on a large scale, and the technology transfer and production validation process could be expected to entail a lead time of well over a year before production for use in patients could commence. In the event of such a transfer, the regulatory

authorities may also require new clinical studies due to the specificities linked to bioproduction. Therefore, while neither contract is exclusive, the Company's ability to voluntarily switch sub-contractors within a reasonable time frame is limited, meaning that the Company is dependent on the availability of product slots and the pricing practices of its sub-contractors. The Company may not be able to negotiate competitive production costs or delivery times for its products, which would have a material adverse effect on its business, earnings, financial position and development. Should the production capacity of existing sub-contractors no longer be available to Transgene, for example due to a business interruption or a loss of regulatory approvals, transferring production to a back-up site would entail significant delays and costs.

#### 1.4.5.3 Reliance on critical suppliers for the procurement of raw materials and consumables

The Company uses raw materials from different suppliers in its manufacturing processes of its drug candidates; some of the suppliers are the sole source of the material in question. The Company certifies its suppliers pursuant to pharmaceutical best manufacturing practices. If one of the sole-source suppliers should default, the Company must find and certify another source. However, identifying and certifying such a supplier could take several months and their products could not be used in the Company's processes until certification is complete. Moreover, the current volumes ordered by the Company do not allow it to negotiate agreements guaranteeing a supply of certain key raw materials from qualified critical suppliers. The Company therefore cannot ensure that it could be supplied by certain critical suppliers, that it could secure a second supplier or that it could do so in a timely manner.

#### 1.4.5.4 Environmental risks tied to producing and handling our products

The Company's manufacturing, research and development activities, preclinical studies and clinical trials require the controlled storage, use and disposal of hazardous materials, both chemical and biological. The Company is subject to laws and regulations relating to the use, manufacture, storage, handling and disposal of materials and waste. Even though it believes that its safety procedures for the handling and disposal of these hazardous materials comply with legal and regulatory standards, the risk of contamination or accidental injury caused by these hazardous materials cannot be completely ruled out. In the event of an accident, it could be held liable for all consequent harm, and its liability could exceed the limits of its insurance policies or not be covered. It might be unable to maintain its insurance coverage on acceptable terms or possibly at all. It might have to bear significant expenditures in order to comply with present or future provisions of environmental law. As of the date of this Universal Registration Document, the Company has made no specific provision for industrial and environmental risks.



## 1.4.6 Risks in relation to intellectual property

The Company's business model (see section 1.2.1.1) consists of out-licensing of drug candidates and technologies is dependent on the Company's ability to grant rights under its intellectual property which do not conflict with the intellectual property rights of third parties. The Company is exposed to multiple risks related to intellectual property.

#### 1.4.6.1 The Company may not succeed in patent protecting its products

Trangene's ability to partner out a product or technology, and the value obtained by Transgene, will depend largely on its ability to obtain patents covering its products and processes allowing it to benefit from the exclusive use of inventions for the period prior to patent expiration. Transgene has filed and plans to continue to file numerous patent applications for various aspects of its operations (such as viral vectors and methods for preparing and administering them, genes and gene combinations, monoclonal antibodies, biomarkers, etc.) in the United States, Europe and selected other countries. However, we may not be able to obtain, maintain or enforce our patents and other intellectual property rights which could affect our ability to compete effectively. For example, we cannot guarantee:

- that we will be able to develop new patentable drug candidates or technologies or obtain patents to protect such new candidates or technologies;
- that we will file all necessary or desirable patent applications or that we will obtain the patents that we have applied for and that are under review;
- that we or our licensing or collaboration partners were the first to make the product candidates or technologies covered by the issued patents or pending patent applications that we license or own;
- that we will be able to obtain sufficient rights to all necessary or desirable patents or other intellectual property rights, whether at all or on reasonable terms;
- that the scope of any issued patents that we own or license will be broad enough to protect our product candidates or effectively prevent others from commercializing competitive technologies and product candidates; and
- that there is no risk of our owned and licensed patents being challenged, invalidated or circumvented by a third party.

### 1.4.6.2 The Company may lack freedom to operate

The conduct of the Company's business or administration of its products may fall under the intellectual property rights of others. The existence of such third-party rights could obligate the Company or its partners to:

- cease to sell or use any of its products that depend on the disputed intellectual property, which could reduce its revenues; or
- obtain a license from the holder of the intellectual property rights that could not be obtained under reasonable conditions, if at all.

The Company's business could be affected if it or its partners could not obtain a license, or if it could obtain a license only under conditions deemed unacceptable. The same would hold if it were unable to redesign the products or processes so as to avoid being sued for infringement.

The Company seeks to take into account third-party rights when making its product portfolio and clinical development decisions. The identification of such intellectual property rights and the evaluation of whether the Company's activities in fact fall within their scope is subject to interpretation, and frequently litigated. The monitoring implemented by the Company to prevent freedom to operate risk may be insufficient due to (i) delays in publishing patent applications (18 months after the filing or priority date), (ii) failure to publish certain patent applications in the US, (iii) the changing scope of patent claims between the application and the granted patent, and (iv) uncertainty as to whether the patent will ultimately be allowed in any form. Even when the Company makes its own patent application, it cannot be sure that certain third parties have not been the first to invent products or to file patent applications relating to inventions also covered by their own patent applications or those of their partners.

### 1.4.6.3 Rights in intellectual property other than patents may be difficult to assert

Transgene believes that several elements of its program involve technology, processes, know-how, data, including culturing and production processes, as well as purification technology, which cannot be patented. Because it is generally impossible to establish an exclusive right to use over most non-patent intellectual property, the Company may also not be able to determine the correct value of these resources from its partners. With regard to technologies, know-how and data that are not patentable or are only potentially patentable, and to processes, other than production processes, for which patents would be difficult to enforce, Transgene has chosen to protect its interests by relying on non-disclosure agreements with its employees, consultants and certain contractors. All of its employment contracts include confidentiality clauses. These confidentiality clauses do not provide sufficient protection and may be terminated. In that event, the Company believes that there is no satisfactory remedy possible. Its product design and manufacturing secrets could be revealed and used independently by its competitors.

### 1.4.6.4 Intellectual property disputes are risky and costly

Transgene's success will also depend upon its ability to prevent other parties from using its intellectual property and its ability to defend itself against claims that Transgene products infringe third party rights. Such disputes involve complex legal and factual questions and are frequently resolved in litigation, which could generate in substantial financial costs and result in decisions unfavorable to Transgene's interests. Competitors with greater resources could better withstand the costs of a complex proceeding. Any litigation of this type could seriously affect the Company's ability to continue its business.

2

# CORPORATE GOVERNANCE

# 2.1 ADMINISTRATIVE AND MANAGEMENT BODIES

## 2.1.1 Composition of the administrative and management bodies


1. **Hemanshu Shah**
   Vice-President, Medical Affairs and International Development
2. **Christophe Ancel**
   Responsible Pharmacist – Vice-President, Quality and Deputy Chief Executive Officer
3. **Éric Quéméneur**
   Deputy CEO – R&D Director
4. **Jean-Philippe Del**
   Chief Financial Officer
5. **Philippe Archinard**
   Chairman – Chief Executive Officer
6. **Maud Brandely-Talbot**
   Vice-President, Clinical Development, Clinical Operations and Regulatory Affairs
7. **John Felitti**
   Vice-President, General Counsel and Corporate Secretary
8. **Thibaut du Fayet**
   Vice-President, Strategic Alliance, Project Management and Marketing

## 2.1.1.1 Composition of the Board of Directors

### 2.1.1.1.1 Board of Directors

Transgene is governed by a Board of Directors composed of ten members as of the date of this Registration Document, six of whom qualify as independent directors. The directors' term of office is three years.

Alain Mérieux, who was a Director of the Company up to May 22, 2019, is now Honorary Chairman of the Board of Directors.

The tables below summarize the mandates and roles of the members of the Board of Directors. The Board assessed the status of independent director in accordance with the criteria of the MiddleNext Corporate Governance Code. The directors' terms expire on the date of the Annual General Shareholders' Meeting held in the year indicated to approve the financial statements for the year ended on the 31st day of December preceding the meeting.

#### PHILIPPE ARCHINARD

**Chairman and Chief Executive Officer – Director**
**Member of the Strategy Committee and Member of the Clinical Development Committee**
Age: **60**
First appointment: **2004**
Term expires: **2020**
Number of Company shares held: **116,365**
Number of Company options held: **0**

**Principal role outside of the Company:**
Chairman for Immunotherapy at Institut Mérieux (1)
Chairman of the Technological Research Institute BIOASTER (3)

**Management experience and expertise:**
Graduated from the Management Program at Harvard Business School
Chairman of bioMérieux Inc. (U.S.) (1) (2)
Deputy CEO of bioMérieux SA (1) (2)
CEO of Innogenetics BV

**Other offices held:**
CEO: TSGH (1), Permanent representative of TSGH on the Board of ABL, Inc. (1) (2)
Representative of the FPUL on the Board of Directors of CPE Lyon
Director: bioMérieux SA (1) (2); ERYtech Pharma (2); NH TherAguix

**Offices expired during the last five years:**
Chairman of the Lyonbiopôle competitiveness cluster (end: 2017); Representative of Lyonbiopôle on the Board of Directors of the Synergie Lyon Cancer Foundation (end: 2017)

#### JEAN-LUC BÉLINGARD

**Director**
**Chairman of the Strategy Committee**
Age: **71**
First appointment: **2013**
Term expires: **2022**
Number of Company shares held: **0**
Number of Company options held: **0**

**Principal role outside of the Company:**
Vice-President Institut Mérieux (1)

**Management experience and expertise:**
HEC Paris and MBA Cornell University (US)
Chairman and CEO of IPSEN (2001 à 2010)
Chairman and CEO of bioMérieux (2011-2017)

**Other offices held:**
Director of bioMérieux SA (1) (2), LabCorp of America, Stallergenes Greer (U.K.), Lupin (India), Pierre Fabre SA

**Offices expired during the last five years:**
Chairman of BioMérieux (end: 2017)

*(1) Institut Mérieux group company.*
*(2) Publicly traded company*
*(3) Association, foundation or other.*

## HEDI BEN BRAHIM

**Director**
**Member of the Strategy Committee**
Age: **39**
First appointment: **2019**
Term expires: **2022**
Number of Company shares held: **0**
Number of Company stock options held: **0**

**Principal role outside of the Company:**

VP for Immunotherapy at Institut Mérieux (1)

**Management experience and expertise:**

Graduate of Polytechnique and the École Nationale Supérieure des Mines de Paris

**Other offices held:**

Chairman of the Board of ABL Inc. (1)

Chairman of the Supervisory Board of Fab'Entech

## ANTOINE BÉRET

**Independent director**
**Member of the Audit and Compensation Committees and Member of the Clinical Development Committee**
Age: **75**
First appointment: **2016**
Term expires: **2022**
Number of Company shares held: **1,000**
Number of Company stock options held: **0**

**Principal role outside of the Company:**

CEO of Genoscience Pharma SAS

Chairman of Axenis

**Management experience and expertise:**

Co-founder of several biotechs (Trophos, Immunotech...)

Business Director at Crédit National, responsible for corporate finance of industrial sector companies

**Other offices held:**

None

## JEAN-PIERRE BIZZARI

**Independent director**
**Member of the Clinical Development Committee**
Age: **65**
First appointment: **2008**
Term expires: **2022**
Number of Company shares held: **5,000**
Number of Company stock options held: **0**

**Principal role outside of the Company:**

Independent director

**Management experience and expertise:**

Doctor of medicine

30 years clinical experience in oncology (held clinical development management positions)

**Other offices held:**

Director: ONXEO (2) (FR), Halozyme Therapeutics (2) (U.S.), Pieris Pharmaceuticals (2) (U.S.), Oxford BioTherapeutics (2) (U.K.); Nordic Nanovectors ASA (2) (NO); IDDI - International Drug Development Institute (3)(Belgium)

Member of the international scientific committee of the National Cancer Institute (3) and of Netris Pharma

Chairman: Fondation Synergie Lyon Cancer (3)

**Offices expired during the last five years:**

ITEOS Therapeutics (Belgium) (end: 2017); Celator Pharmaceuticals (U.S.) (end: 2016)

*(1) Institut Mérieux group company.*

*(2) Publicly traded company.*

*(3) Association, foundation or other*

## BENOÎT HABERT

**Independent director**

**Chairman of the Compensation Committee and Member of the Audit Commitee**

Age: **55**

First appointment: **2000**

Term expires: **2020**

Number of Company shares held: **74,403**

Number of Company stock options held: **0**

**Principal role outside of the Company:**

Deputy Chief Executive Officer and Director, Groupe Industriel Marcel Dassault (GIMD) (SAS)

Chairman of Dassault Développement (SAS) *

**Management experience and expertise:**

Holds an MBA from INSEAD and a masters degree in business law from Panthéon-Assas Paris II University

**Other offices held:**

Chairman: Habert Dassault Finance; Dassault Développement (SAS) *

Terms within GIMB: Figaro group *; Dassault Médias *; HOWTOMEDIA *; Figaro classifieds *; Marco Vasco*; Maison de la Chine et de l'Extrême Orient *

Director: Mérieux NutriSciences Corp (U.S.); Colombus Family Holding; Dargaud; Éditions Dupuis (Belgium); Éclosion; ITEN; KTO TV and Fondation KTO; ZEWAOW

Non-voting observer: Relaxnews UNOWHY

**Offices expired during the last five years:**

As permanent representative of GIMD: bioMérieux SA; Silliker; Sport 24 (SA), Intigold

* Controlled by GIMD.

## MARIE-YVONNE LANDEL

**Independent director**

**Chairwoman of the Audit Committee**

Age: **67**

First appointment: **2017**

Term expires: **2020**

Number of Company shares held: **0**

Number of Company stock options held: **0**

**Principal role outside of the Company:**

Independent director

**Management experience and expertise:**

Chartered accountant; holds an M.B.A. from the European Business School (Paris, Frankfurt and London)

Consultant for the set-up of French and European biotechnology firms in the United States

**Other offices held:**

Member of the Consultative Strategic Committee of Coretec Industry Group SAS

**Offices expired during the last five years:**

Director: Safe Orthopaedics (end: 2019); Cellnovo Group SA (end: 2019); TxCell (end: 2018); Founder and CEO of Axelia Partners (formerly Marie Landel & Associates (end: 2015); Treasurer of Hepatochem (end: 2015)

## MAYA SAÏD

**Independent director**

**Member of the Compensation Committee, Member of the Strategy Committee and Member of the Clinical Development Committee**

Age: **43**

First appointment: **2017**

Term expires: **2020**

Number of Company shares held: **0**

Number of Company stock options held: **0**

**Principal role outside of the Company:**

Founder and CEO: Outcomes4me Inc. (U.S.)

**Management experience and expertise:**

Senior Vice-President Global Head of Oncology Policy and Market Access at Novartis, and Vice-President, R&D Global, Strategy, External Scientific and Innovation Policy at Sanofi

Certificate in finance and health systems organization from Harvard Business School

**Other offices held:**

CEO: Outcomes4me Inc. (U.S.); Director: Pieris Pharmaceuticals (USA) (1)

**Offices expired during the last five years:**

None

## TSGH

**Director**

**Member of the Audit Committee and Member of the Compensation Committee**

17, rue Bourgelat 69002 Lyon

First appointment: **2002**

Term expires: **2020**

Number of Company shares held: **50,323,665**

Number of Company stock options held: **0**

**Principal role outside of the Company:**

None

*(1) Listed company.*

## REPRESENTED BY: DOMINIQUE TAKIZAWA

**Permanent representative of TSGH**
Age: **63**
Number of Company shares held: **0**
Number of Company stock options held: **0**

**Principal role outside of the Company:**

Corporate Secretary at the Institut Mérieux (1) (since 2006)

**Management experience and expertise:**

Graduate of École des Hautes Études Commerciales (HEC) and degrees in chartered accountancy

Corporate Secretary of bioMérieux (1) (2) (2004-2006) and ACCRA (2001-2004)

Before 2001, Group Controller of Aventis Cropscience, CFO of Pasteur-Mérieux Connaught (now Sanofi Pasteur) and of Rhône-Mérieux

**Other offices held:**

Within the Mérieux Group (1):

Institut Mérieux (paid Director), ABL, Inc. (United States), Mérieux NutriSciences Corporation (United States)

Outside the Mérieux Group:

ADOCIA (2), April (2), Theradiag (2), Lyon Place Financière et Tertiaire (3), Lyon Pôle Bourse (3)

**Offices expired during the last five years:**

Chairwoman of the Board of Directors: ElsaLys Biotech SA (end: 2019); Director: Platine (renamed ABL Lyon)

## LAURENCE ZITVOGEL

**Independent director**
**Member of the Clinical Development Committee**
Age: **56**
First appointment: **2013**
Term expires: **2022**
Number of Company shares held: **469**
Number of Company stock options held: **0**

**Principal role outside of the Company:**

Professor in Biology & Immunology at Paris Sud University

and Oncologist-researcher-immunotherapist at Institut Gustave Roussy

Director of Research at INSERM (U1015)

Co-Director of IGR/Curie/INSERM Clinical Investigations Center

**Management experience and expertise:**

Doctor of medicine

Director of Research and INSERM Unit (jointly approved by the Ligue contre le cancer) and Co-Director of the IGR/Curie/INSERM Biotherapy Clinical Investigations Center

**Other offices held:**

Member of the Scientific Advisory Board of Lytix Biopharma, Epivax and NeoVax

Cofounder of EverImmune

*(1) Institut Mérieux group company.*

*(2) Publicly traded company.*

*(3) Association, foundation or other.*

Based on current legislation, there are no directors elected by the employees within the Board of Directors. Moreover, as the capital share held by the employees is less than 3%, there are no directors representing employee shareholders within the Board of Directors. However, two employees represent the Economic and Social Council and participate in the Board of Directors' meetings.

#### 2.1.1.1.2 Composition of the Executive Committee

The following table gives the names of those on the Transgene Executive Committee, their current positions in the Company and the date they assumed those duties.

| Name | Age | Current position | Committee member since |
|---|---|---|---|
| Philippe Archinard | 60 | Chairman and Chief Executive Officer | 2004 |
| Éric Quéméneur | 56 | Deputy CEO – R&D Director | 2014 |
| Christophe Ancel | 56 | Responsible Pharmacist – Vice-President, Quality and Deputy Chief Executive Officer | 2014 |
| Maud Brandely | 66 | Vice-President, Clinical Development, Clinical Operations and Regulatory Affairs | 2016 |
| Jean-Philippe Del | 40 | Vice-President, Finance | 2014 |
| Thibaut du Fayet | 52 | Vice-President, Strategic Alliance, Project Management and Marketing | 2008 |
| John Felitti | 50 | Vice-President, General Counsel and Corporate Secretary | 2016 |
| Hemanshu Shah | 59 | Vice-President, Medical Affairs and International Development | 2014 |

**Philippe Archinard** was appointed Chairman and Chief Executive Officer of Transgene on June 17, 2010; he had been CEO since December 6, 2004. Previously he had been CEO of Innogenetics from March 2000. From 1985 to 2000, he held various positions at bioMérieux, including management of bioMérieux, Inc. in the United States. He is a chemical engineer and has a PhD in biochemistry from the University of Lyon, and supplemented his education with a management program at the Harvard Business School. He is Chairman of the Institut des Recherches Technologiques (IRT) BIOASTER.

**Éric Quéméneur** joined Transgene in 2014 as Deputy CEO, in charge of Research and Development. Before joining Transgene, he served as Director of Programs and Reclamation in the Life Sciences Department of the CEA, after a 20 years career in that organization. His responsibilities included managing the Research and Development programs and transferring them into applications, leading multi-disciplinary teams and developing national and international alliances. He is a biochemical engineer, INSA Lyon (1986), with a PhD in science, a D.U. degree in Industrial Pharmaceuticals from Université Claude Bernard Lyon 1 and a Certificate in Research Management from Université Pierre et Marie Curie – Paris VI. He is the author of some 80 publications in international scientific journals.

**Christophe Ancel** joined Transgene in 2008 as Head of Quality Assurance, and then as Director of Operational Quality. He his pharmacist in chief and in this respect, he is Deputy Chief Officer since 2014. Previously he worked as a quality consultant to a variety of international pharmaceutical laboratories. From 2001 to 2005 he was Quality Manager, Deputy Pharmacist and acting Responsible Pharmacist at the French production plant of E. Lilly. In 2001 he was Quality Manager and acting Qualified Pharmacist at a Cardinal Health plant. From 1992 to 2000, he worked at Alcon Laboratories in the quality area and was Deputy Pharmacist at their production site. His various professional experiences have led him to work in an international settings of sterile product manufacturing and marketing. Christophe Ancel has a PhD in pharmacology.

**Maud Brandely** joined Transgene in March 2016 as Vice-President, Clinical Development, Clinical Operations and Regulatory Affairs. She was the Director of Clinical Oncology Development at Pierre Fabre until February 2016. She was responsible for all phase 1 to phase 3 clinical trials. She played a role in the registration of oral Navelbine products for the treatment of both breast and lung cancer and for vinflunine in bladder cancer. Prior to Pierre Fabre, she was Director of Taxotere Clinical Development at Rhône Poulenc (RPR, now Sanofi), where she was responsible for setting up clinical studies with the aim of registration in the United States and Europe. As such, she divided her time between Collegeville and Paris to oversee her US and European teams. Prior to RPR, she worked for Hoechst-Roussel-Uclaf (now Sanofi) and was involved in the development of cytokines (IL-2, IFN) and cytotoxins. She is an MD and has a PhD in immunology.

**Jean-Philippe Del** became Transgene's Vice-President, Finance and a member of the Executive Committee in 2014. Before that, he had been Director of Administration and Finance. He joined the Company in 2005 and oversaw the management control system, accounting and purchasing. Before joining Transgene, he was a financial auditor at Mazars and began his career in 2001 as a financial controller at Brasseries Kronenbourg. Jean-Philippe Del holds a DESCF degree and is a finance and accounting graduate of Université de Strasbourg.

**Thibaut du Fayet** joined Transgene in 2008. He is responsible for project management, strategic alliance management and marketing for the Company. From 2007 to 2008, he headed up marketing at Stallergenes after holding various Strategy and Business Development positions at bioMérieux from 2003 to 2007, and Rhodia/Rhône-Poulenc from 1999 to 2003. His diverse experience in industry was preceded by six years working as a consultant, at Bossard Consultant/Gemini Consulting. Thibaut du Fayet has an MBA from the ESSEC management school and an MA in International Finance from Brandeis University (Boston).

**John Felitti** joined Transgene in March 2016 as General Counsel and Corporate Secretary. Prior to his appointment, he was Associate Vice-President, Corporate law, Finance and Securities law at Sanofi and previously held other positions in the Sanofi and Aventis legal departments. From 1996 to 2003, he was an associate attorney at the Paris offices of the US law firm Shearman & Sterling. He is admitted to practice in New York and is a former member of the Paris Bar. After majoring in economics at Harvard University (AB 1991) and the College of Europe (MA 1993), John Felitti studied law at the University of Michigan (JD 1996) and the University of Paris II – Panthéon (LLM 1997). He also holds a business degree from INSEAD (GEMBA 2015).

**Hemanshu Shah** joined Transgene in May 2014 as Director of Medical Affairs. He has over 25 years of experience acquired in various functional and therapeutic fields in the pharmaceutical and biotechnology industries, particularly oncology. Before joining Transgene, he was Global Vice-President of Marketing and Head of the Infectious Diseases Therapeutic Area, Transplantation, Immunology and Dermatology at Astellas (2012-2014). Before Astellas, he was Head of Operations at AROG Pharmaceuticals (2010-2011), Business Director at Innate Pharma (2008-2010) and Vice-President for Commercial Operations at GPC Biotech (2003-2008). Mr. Shah was Global Sales Manager for oncology at Johnson & Johnson (2002-2003) and held various management jobs at Bristol-Myers Squibb (1988-2002). He holds a doctorate in pharmaceutical science from Rutgers University and an MBA from the State University of New York (Buffalo).

## 2.1.2 Functioning of administrative and management bodies and conflicts of interest



### 2.1.2.1 Functioning of the Board of Directors

The Board of Directors meets at least four times per year. At least one executive session (a meeting without the attendance of the Chairman and Chief Executive Officer or another member of the Executive Committee) per year is proposed to directors. The Board's functioning is governed by internal rules that are regularly updated and published on the Company's website. The Board's work is prepared by four special committees responsible for assisting the Board in its discussions and decisions (see paragraph 2.1.3, *next section*).

### 2.1.2.2 Service contracts between the issuer and the members of the Board of Directors

There are no service contracts linking any member of the Board of Directors to the Company or to any of its subsidiaries and providing benefits. One corporate officer, the Deputy Chief Executive Officer, Christophe Ancel, has both an employment contract and a corporate mandate.

### 2.1.2.3 Conflicts of interest in administrative and management bodies

No director has indicated the existence of an agreement with a major shareholder, client or supplier of the Company for which he is representative.

As of the date of this Registration Document, and to the Company's best knowledge, there is no current or potential conflict between the private interests of the members of the Board of Directors or of the Company's management and the interests of the Company. The agreements involving certain directors are subject to the regulated agreement procedure and are presented in paragraph 2.2.3.

The main point of vigilance regarding potential conflicts of interest within the Board results from certain directors' connections with the Company's main shareholders. Institut Mérieux holds 99.1% of the capital and voting rights of TSGH SAS, which itself owns, as of the date of this Registration Document, 60.4% of the capital and 67.8% of the voting rights of the Company. Philippe Archinard, Chairman and CEO of the Company, is also a director of bioMérieux SA and owns 0.9% of the capital in TSGH.

In order to protect against conflicts of interest or the appearance of a conflict of interest, the Company has set up a Board comprising a majority of independent directors and has set up diligent monitoring of regulated agreements in order to ensure that decision-making is separate from all private interests.

During the capital increase in 2019, the Company managed the potential conflict of interest related to the subscription of a significant share of the operation by TSGH by structuring it as an offering with preferential shareholders' subscriptions rights and by organizing a meeting of independent directors that did not take part in the operation to examine the conditions, and notably the price, that was set with a discount comparable to the average of the recent transactions.

### 2.1.2.4 Declaration concerning the administrative and management bodies

To the Company's knowledge as of the date of this Registration Document, there is no family connection between the members of the Board of Directors and the Company's senior management. Neither is there, as far as the Company is aware, as of the date of this Registration Document, any arrangement or agreement made between the major shareholders, customers, suppliers or others, apart from those listed in Note 20 to the consolidated financial statements in this Registration Document.

Moreover, to the Company's knowledge as of the date of this Registration Document, no member of the Board of Directors has been:

- convicted of fraud within the past five years;
- subject to a bankruptcy, receivership or liquidation as a director or corporate officer within the past five years;
- indicted and/or officially and publicly sanctioned by statutory or regulatory authorities within the last five years.

Finally, to the Company's knowledge as of the date of this Registration Document, no members of the Board of Directors have been disqualified by a court from acting as a member of an administrative, management or Supervisory Board of an issuer or from acting in the management or conduct of the affairs of any issuer within at least the past five years.

## 2.1.3 Special committees

The Audit Committee, comprising Mrs. Landel (Chairwoman of the Committee), Mr. Béret and Mr. Habert, independent directors, as well as TSGH (represented by Mrs. Takizawa), whose functioning is outlined in Section 2.2.2, examined the following points in particular during fiscal year 2019:

- review of the consolidated and corporate financial statements for fiscal year 2018;
- review of the consolidated financial statements of the first half of 2019;
- review of the 2020 budget;
- determination of the Statutory Auditors' fees;
- initial review of the Statutory Auditors' services other than statutory audits (in 2019, the Company did not grant any tasks to the Statutory Auditors other than the certifications stipulated in the French Commercial Code);
- verification of H3C inspections and their conclusions;
- initial review of the financial press releases;
- review of the parts of the corporate governance report and the 2018 Registration Document containing the accounting or financial developments and the draft resolutions to be presented to shareholders in relation to the financial statements or financing;
- definition of the cash management and performance monitoring policy;
- review of financial risks and hedging policy;
- review of the Company's financing strategy and preparation for the capital increase;
- draft regulated agreements, and adoption of the regulated and current agreement charter;
- self-evaluation of committee effectiveness and review of the committee charter.

The Compensation Committee, consisting of Mr. Béret, Mr. Habert (Chairman of the Committee) and Mrs. Saïd, all independent directors, as well as TSGH, and whose working methods are described in Section 2.2.2, examined, in 2019, among other subjects, the compensation of senior management and the Executive Committee during 2018 and 2019; reviewed the Company's general compensation policy, including yearly bonuses, advised on the collective objectives and their weight as well as the design and implementation of an annual and exceptional employee share grant program. The Compensation Committee also reviewed the equity and gender equality indices for FY 2014-2018, the parts of the corporate governance report and the 2018 Registration Document containing the compensation developments and the draft resolutions to be presented to shareholders in relation to compensation at the AGM of May 22, 2019. The Compensation Committee discussed a succession plan for Company managers in the event of unplanned or early departure and proposed to insert provisions into the Board's internal rules to ensure continuity of the Company's operations in the event of an unplanned or precipitated departure.

The Strategy Committee, comprising Mr. Archinard, Mr. Bélingard (Chairman of the Committee), Mr. Ben Brahim and Mrs. Saïd, independent director, was consulted from time to time in 2019. The Committee's work notably concerned external growth opportunities, partnership opportunities and strategic reviews.

The Clinical Development Committee, comprising Mr. Archinard, and the independent directors, Mr. Béret, Mr. Bizzari, Mrs. Saïd and Mrs. Zitvogel, was set up in September 2019. This Committee aims to meet four times per year to prepare the main regular meetings of the Board of Directors in order to support the decision making on research and development investments, in line with the strategy defined by the Board. This Committee met twice in 2019 and formulated opinions on the results of the PHOCUS and TG4010.24 studies for the Board, and advised the Board on studies being prepared.

# 2.2 REPORT ON CORPORATE GOVERNANCE - GOVERNANCE

This paragraph restates in its entirety the report required by Article L. 225-37 of the French Commercial Code, relating to the manner in which the Company's Board of Directors prepares and organizes its work in accordance with Article L. 225-37-4 of the French Commercial Code.

This report was adopted by the Board of Directors in its meeting of March 11, 2020, In accordance with Article L. 225-235 of the French Commercial Code, the Board of Directors' report on corporate governance has been submitted in its entirety to the statutory auditors.

## 2.2.1 Governance principles adopted by the Company



The Company refers to the corporate governance recommendations contained in the MiddleNext Code of Corporate Governance for mid- and small-cap companies of September 2016 ("MiddleNext Code"). The MiddleNext Code can be consulted on the MiddleNext website and on the Company's website. The Board regularly reviews the points of vigilance in the MiddleNext Code, including as part of its self-assessment of Board functioning, and prepares an annual report on its compliance with the 19 recommendations of the MiddleNext Code.

| MiddleNext Code recommendations | Adoption |
|---|---|
| "Supervisory" power | |
| R1: Board members' ethics | Yes |
| R2: Conflicts of interest | Yes |
| R3: Composition of the Board of Directors - Presence of independent members | Yes |
| R4: Information for Board members | Yes |
| R5: Organization of Board and Committee meetings | Yes |
| R6: Implementation of Committees | Yes |
| R7: Implementation of internal Board rules | Yes |
| R8: Selection of each director | Yes |
| R9: Duration of terms for Board | Yes |
| R10: Director compensation | Yes |
| R11: Implementation of an assessment of the Board's work | Yes |
| R12: "Shareholder" relations | Yes |
| Executive power | |
| R13: Definition and transparency of compensation for executive corporate officers | Yes |
| R14: Preparation of Management succession | Yes |
| R15: Concurrent holding of an employment contract and corporate office | Yes; see comment |
| R16: Departure benefits | Yes; see comment |
| R17: Additional pension plan | Yes |
| R18: Stock options and free share grants | Yes, partially |
| R19: Review of points of vigilance | Yes |

Based on the report, the Board considers that Transgene's corporate governance complies with the 19 recommendations of the MiddleNext Code, with the exception of the partial discrepancy for one item in recommendation R18. With regard to the recommendation R18 of the MiddleNext Code (stock options and free share grants), the Company regularly grants free shares to all of its employees, without excessively focusing on executive managers. In accordance with recommendation R18 to make all or part of the grants for the benefit of executive managers subject to conditions, half of each grant to executive managers is subject to performance conditions reflecting the medium to long term interest of the

Company. However, for certain grants, the assessment period is one year, which leads the Board to consider that the "significant time period" recommended by recommendation R18 is only partially applied. In the context of Transgene, the Board considers that this one-year assessment period was appropriate for the conditions concerned, which aim to prepare the Company's long-term future, but which focused on the action plans to be implemented and took place during a concentrated period. The Company has not granted stock options since 2012.

The Board considers that the concurrent holding of the position of Deputy Chief Executive Officer and an employment contract is consistent with the letter and spirit of the MiddleNext Code's recommendations. For transparency with the Company's shareholders, this analysis is presented in more detail below for the two recommendations covering the implementation of this concurrent holding of offices.

With regard to recommendation R15 of the MiddleNext Code (concurrent holding of an employment contract and corporate office), an employment contract remains in force for the Deputy Chief Executive Officer. Before his appointment as Deputy Chief Executive Officer, Christophe Ancel was an employee of Transgene. His employment contract has remained in force since his appointment due to the continuation of his previous salaried activity. The Board is of the opinion that maintaining this employment contract is justified in this case given that the Responsible Pharmacist's corporate office is a regulatory requirement (see Section 2. "Specificities of Executive Corporate Officers"). It should be noted that recommendation R15 does not specifically target the corporate office of a Deputy Chief Executive Officer, and even for corporate offices targeted by this recommendation, concurrent holding is managed but not prohibited. There is no employment contract between Transgene and its Chairman and Chief Executive Officer or between Transgene and the other corporate officers targeted by the recommendation.

With regard to recommendation R16 of the MiddleNext Code (departure benefits), the Deputy Chief Executive Officer does not receive any departure benefits other than those provided by the collective bargaining agreement that governs his employment contract, in line with recommendation R16. These benefits are granted only in the event of the termination of the employment contract under the conditions provided by the collective bargaining agreement and are not paid for the expiry of the corporate office. The amount and conditions for these benefits comply with recommendation R16. (see paragraph 2.3.1). The Company has not granted departure benefits in the event of the termination of his functions to the Chairman and Chief Executive Officer.

# 2.2.2 Composition, conditions related to the preparation and organization of the tasks of the Board of Directors

## Composition of the Board of Directors

The Company is governed by a Board of Directors currently consisting of ten members, of whom nine are individuals and the tenth is the majority shareholder, TSGH. Four women sit on the Board: Mrs. Dominique Takizawa, as permanent representative of TSGH and Mrs. Marie-Yvonne Landel, Mrs. Maya Saïd and Mrs. Laurence Zitvogel, independent directors.

The term of the directors' mandates is three years. The table below indicates the number of shares or options providing future rights to shares (stock options) held by each individual director:

| Director | Number of shares held | Number of options |
|---|---|---|
| Philippe Archinard (6) (7) | 116,365 * | None |
| Jean-Luc Bélingard (8) | - | None |
| Hedi Ben Brahim (6) | - | None |
| Antoine Béret (1) (4) (5) (7) | 1,000 | None |
| Jean-Pierre Bizzari (1) (7) | 5,000 | None |
| Benoît Habert (1) (3) (4) | 74,403 | None |
| Marie-Yvonne Landel (1) (2) | - | None |
| Maya Saïd (1) (5) (6) (7) | - | None |
| Dominique Takizawa (représentant de TSGH) (4) | - | None |
| Laurence Zitvogel (1) (7) | 469 | None |

* *Excluding the shares held by TSGH. TSGH is a subsidiary 99.1% owned by Institut Mérieux, itself 99.7% owned by Compagnie Mérieux Alliance, controlled by the family of Mr. Alain Mérieux. Mr. Philippe Archinard owns 0.9% of the capital of TSGH.*

*(1) Independent director.*
*(2) Chairman of the Audit Committee.*
*(3) Chairman of the Compensation Committee.*
*(4) Member of the Audit Committee.*
*(5) Member of the Compensation Committee.*
*(6) Member of the Strategy Committee.*
*(7) Member of the Clinical Development Committee.*
*(8) Chairman of the Strategy Committee.*

In its current composition, the Board of Directors has six independent directors as defined by Recommendation R3 of the MiddleNext Corporate Governance Code. According to the MiddleNext Code, five criteria are used to determine the independence of Board members, characterized by the absence of any significant financial, contractual or family relationship likely to affect their independence of judgment:

- must not be a salaried employee or corporate officer of the Company or of a company in its group, and must not have held such a position within the last five years;
- must not be a significant customer, supplier, competitor, provider, creditor or banker of the Company or its group or have had a significant business relationship with them within the last two years;
- must not be a reference shareholder of the Company or hold significant percentage of the voting rights;
- must not be close to or have a close family relationship with a corporate officer or reference shareholder;
- must not have been an auditor of the Company in the course of the previous six years.

It should be noted that neither the MiddleNext Code nor the Board's rules of procedure include seniority as a director as a criterion for independence or lack of independence. The MiddleNext Code does not define the percentage that would constitute a "significant percentage of voting rights" for the independence analysis, and the Board's rules of procedure set this percentage at 10% in line with the AFEP-MEDEF Code and stock market practices. By applying this threshold to the Company's current shareholder structure, the directors related to the Institut Mérieux group cannot be considered to be independent whilst this criterion is not a determining factor for directors such as Mr. Habert who are related to other shareholders.

The complete list of directors and the dates and expiration of their terms appears in Section 2.1.1.1.1 of the Company's Registration Document.

No member of the Board of Directors was elected by the employees. Two employees, one of whom represents managers, represent the Works Council and participate in the Board of Directors' meetings.

In addition to the Statutory Auditors, who participate in most Board meetings, the representatives of the Works Council are also in attendance at the meetings, as is the Vice-President, Finance, the Executive Vice-President and the Corporate Secretary, who acts as secretary to the Board. The Directors of the Board with scientific and medical backgrounds will from time to time hold ad hoc scientific or medical meetings with the Company's scientists and its medical, clinical and regulatory staff to discuss issues related to the products under development.

## Operation of the Board of Directors

The Board of Directors met five times in 2019, with an average attendance rate by the directors of 96%. At each of these meetings, the Board was informed in detail of the Company's situation in terms of the development of its business, the progress of its research projects, clinical programs and its financial position. In addition to performing its legal duties to approve the annual and interim financial statements and to arrange and convene General Shareholders' Meetings, the Board discussed the Company's strategic issues. The Board regularly speaks with the special committees and deliberates on recommendations they make. The duties of the Chairmanship of the Board and the senior management of the Company are performed by the same individual.

In accordance with Recommendation R7 of the MiddleNext Code, the Board of Directors has adopted internal rules (available on the Company's website: www.transgene.fr).

The Company also complies with Recommendation R11 of the MiddleNext Code dealing with the yearly assessment by Board members of the Board's operations and preparation of its work. In accordance with recommendation R19 of the MiddleNext Code, the Board of Directors reviewed the points of vigilance according to the MiddleNext Code.

## Committees

The Board of Directors is assisted by four committees:

- **the Audit Committee**, consisting of four directors, three of whom are independent. It is chaired by an independent director and the Chairman and Chief Executive Officer is not a member. The Vice-President, Finance is invited to each meeting to present the Company's financial data and answer questions from the Committee. The Statutory Auditors attend all committee meetings. The Committee is responsible for preparing the work of the Board of Directors on financial and accounting issues and advising it, in particular, regarding financial statements, their audit and internal control and their compliance with accounting standards. It monitors the independence of the Statutory Auditors and, more generally, ensures that the choices, renewal methods and fees for the Statutory Auditors are monitored, along with the completion of their mission. It approves the internal audit and monitors its progress. Furthermore, the Audit Committee monitors the cash investment policy and the terms and conditions for certain investments. As a result of the reinforcement of its risk monitoring tasks, at least once a year, it carries out a review of all of the main risks to which the Group may be exposed. The four committee members have financial accounting expertise by training or experience. Furthermore, Benoît Habert, Marie-Yvonne Landel and Dominique Takizawa are considered to be financial experts under the meaning of Article L. 823-19 of the French Commercial Code. The Audit Committee members acquired relevant expertise during their academic training and professional experience, as can be seen in their biographies.

  The Group does not entrust any missions other than statutory audits to its Statutory Auditors with the exception of a few consultations approved by the Audit Committe beforehand (see Note 30 to the Corporate financial statements); the Audit Committee has received the assurance from the Financial Department that the latter has submitted all requests for services other than the certification of financial statements to it.

  The Audit Committee met four times in FY 2019. The work of the Audit Committee is governed by a charter that is reviewed and adapted as necessary to changes in corporate governance best practices. In 2019, the committee regularly reported on its work and recommendations to the Board of Directors after each of its meetings.

- **the Compensation Committee**, consisting of four directors, three of whom are independent. The committee reviews the proposed compensation (salary and bonus, proposed stock options) for the Company's senior managers and key people. It also reviews the overall compensation policy implemented by the Company with respect to share-based compensation plans for employees and in respect of the structure and amounts of compensations of all kinds allocated to the corporate officers. It also assesses and determines the achievement of the Company's collective goals and their weight in the amount of the annual bonuses granted to employees. The committee submits recommendations for approval on these items to the Board. It meets and deliberates, by telephone conference if necessary, and met three times in 2019.

- **the Strategy Committee**, consisting of three directors, one of whom is independent. The Strategy Committee meets from time to time to discuss issues assigned by the Chairman and Chief Executive Officer.

- **the Clinical Development Committee,** consisting of five directors, four of whom are independent. Set up in September 2019, the Clinical Development Committee meets four times per year, before each recurring Board session, to mobilize specialist expertise in order to prepare the debates and formulate recommendations on the clinical development issues submitted to the Board.

## 2.2.3 Regulated Agreements

### 1. Description of the procedure to identify regulated agreements

In accordance with Articles L. 225-37-4 and L. 225-39 of the French Commercial Code, on September 18, 2019, the Board of Directors approved an internal Charter, amended on December 18, 2019, on the identification procedure for regulated and current agreements (the "Charter"). It is stipulated that this Charter formalizes the identification procedure for regulated agreements that applies prior to the signature of an agreement that may be qualified as a regulated agreement, and also to any amendments, renewals or cancellations of agreements, including for agreements considered to be "free" (or "current and signed under normal conditions") at the time of their signature. Pursuant to the Charter, in addition to the declaration by the direct and/or indirect parties provided by the law, the Board entrusts the Company's legal department with ensuring that agreement projects that may be qualified as regulated agreements or free agreements are identified. The Board entrusts disinterested members of the Audit Committee with analyzing the regulated agreement projects submitted to the Board for prior approval and to formulate recommendations. Only disinterested members, both directly or indirectly, to the regulated agreements submitted for prior approval take part in the Board's discussions and vote. The Board also entrusts the Audit Committee with reviewing the agreements qualified as current and signed under normal conditions and the criteria used for their qualification at least once a year. The Charter can be found on the Company's website.

### 2. Agreements and commitments authorized and signed during the past fiscal year

In 2019, the Company adopted two new regulated agreements. At its meetings on March 20 and May 22, 2019, the Board of Directors decided to give its prior approval for the following regulated agreements and to submit them for shareholder approval at the Shareholders' Meeting of May 27, 2020, in accordance with the provisions of Articles L. 225-38 et seq. of the French Commercial Code.

- agreement on payment schedules signed on March 20, 2019 between Transgene and ElsaLys Biotech. This agreement reschedules the payment dates. Reasons evidencing the best interests of the Company: avoid a liquidity crisis to enable ElsaLys to return to better fortune and encourage the redemption of all borrowings covered by this agreement.

- agreement on the commercial conditions for services applicable between Transgene and ABL Europe signed on May 23, 2019. This agreement replaces the Exclusive Services Agreement signed in February 2016, and *inter alia* frees Transgene from its obligation of exclusivity. Reasons justifying the Company's interest in the agreement: secure access to a service provider with specific skills in bioproduction of viral vectors, facilitate planning and accelerate order taking.

### 3. Agreements and commitments authorized and signed in prior fiscal years, whose implementation continued during the past fiscal year

The following agreements and commitments previously approved by the Annual General Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code continued during 2019:

- a mobility agreement between Institut Mérieux, Mérieux NutriSciences, Transgene, Théra Conseil, Mérieux Développement, ABL Inc., SGH SAS and bioMérieux SA (entities controlled by Institut Mérieux) as well as Fondation Mérieux (an affiliate company not controlled by Institut Mérieux);
- agreement signed with ABL on the disposal of assets entitled *Asset Purchase Agreement* and the following related agreements:
  - preliminary sales agreement for the land and manufacturing building in Illkirch-Graffenstaden,
  - notarial deed on the land and manufacturing building in Illkirch-Graffenstaden,
  - agreement for the provision of services entitled *Transition Services Agreement*,
  - agreement for subleasing a part of the QC laboratory at the Company's headquarters;
  - Social Agreement for reclassifying employees;
  - Exclusive Services Agreement; and
- contract for the provision of services between Transgene and Institut Mérieux.

Further details on the regulated agreements can be found in the Statutory Auditors' special report in Chapter 5 under the heading 5.7.

## 2.2.4 Compensation

### Compensation of Executive Corporate Officers

The situation of the executive corporate officers is subject to specific regulations which are presented below in Sections 2.3.1 (compensation policy applicable in 2020) and 2.3.2 and 2.3.3 (compensation for 2019). The Chairman and Chief Executive Officer does not have an employment contract with the Company. He is compensated by the Company for his position as a corporate officer. The Chairman and Chief Executive Officer is compensated by Société Institut Mérieux in his position as Director for Immunotherapy of that company.

The Responsible Pharmacist, appointed Deputy Chief Executive Officer in application of the provisions of the Public Health Code holds an employment contract in his position as Director of Quality Assurance. The Board is of the opinion that maintaining this employment contract is justified in this case given that the Responsible Pharmacist's corporate office is a regulatory requirement. The Responsible Pharmacist receives a salary under his employment contract. Any changes are based entirely on the achievement of individual and collective objectives.

The salary and bonuses paid to the members of the Executive Committee, including those of the Deputy Chief Executive Officer, are determined based on a proposal from the Chairman and Chief Executive Officer and submitted for review to the Compensation Committee which also approves proposals for deferred remuneration in the form of share or subscription option allocations. The Company has not granted departure benefits in the event of the termination of his functions to the Chairman and Chief Executive Officer. The Deputy Chief Executive Officer does not receive benefits in the event of the termination of his corporate office. However, under his employment contract, the national pharmaceutical industry collective bargaining agreement provides for an indemnity calculated based on seniority and without performance conditions in certain cases.

### Compensation Allocated to Directors (formerly Directors' Fees)

Only independent directors receive compensation. These consist of a yearly fixed fee of €4,000 to which is added an amount related to the director's actual attendance at Board meetings of €3,000 per meeting, in accordance with Recommendation R10 of the MiddleNext Code. Additional compensation of independent members of the special committees is €2,000 per committee meeting. These variable amounts are doubled for the physical participation of independent directors residing outside Europe. No other form of compensation, including deferred compensation, such as warrants or stock options, was paid by the Company to non-executive corporate officers. The maximum amount that may be allocated in a civil year is capped at €250,000 following a decision by the Annual General Shareholders' meeting in 2017.

The gross amount of directors' fees paid over the last two years to directors in office as of December 31, 2019 is shown in Section 2.3.2 of the Company's Registration Document. As the scale has not changed since March 2017, the differences are attributable to the number of meetings of the Board and its committees as well as each director's attendance.

## 2.2.5 Additional information

### Limits on the powers of the Chief Executive Officer

No special limits have been set on the powers of the Chief Executive Officer, with the exception of the following points that require the CEO to refer the following matters to the Board:

- the strategic plan of the Company and its subsidiaries;
- the annual budget and, on a quarterly basis, its implementation and, if necessary, significant revision.

### Participation by shareholders in the General Shareholders' Meeting

The Company has not established any special rules as to shareholder participation in General Shareholders' Meetings; the bylaws in this regard refer to the provisions of law in the French Commercial Code.

### Information relating to the capital structure and elements that may influence a public offering

This information is presented and discussed in the Board's management report and in Chapter 5 of the Company's Universal Registration Document.

### Climate change

The Company has not identified any material financial risks related to climate change. The Company's main industrial activities were outsourced in February 2016. The low-carbon strategy for the remaining aspects of its business is focused on reducing energy consumption at its Illkirch and Lyon sites.

# 2.3 REPORT ON CORPORATE GOVERNANCE - SAY ON PAY

## 2.3.1 Compensation for 2020 – Compensation policy - Principles and criteria for setting the compensation for corporate officers

Pursuant to the Ruling no. 2019-1234 of November 27, 2019 on the compensation of corporate officers of listed companies and the decree no. 2019-1235 of November 27, 2019 transposing Directive (EU) 2017/828 of May 17, 2017 amending Directive 2007/36/EC for the purpose of promoting the long-term commitment of shareholders, this Section 2.3.1 constitutes a report to shareholders, presenting the policy on the principle and criteria for setting, distributing and allocating the fixed, variable and exceptional items that comprise the total compensation and benefits of any kind of Transgene's corporate officers. It was prepared by the Board of Directors of March 11, 2020, upon proposal by the Compensation Committee. This policy will be submitted to the Shareholders' Meeting of May 27, 2020 for all corporate officers.

This report contains the information specified in Article L. 225-37-2 of the French Commercial Code as well as the additional information that the Board of Directors considers useful for an overview of the compensation of corporate officers, and is attached to the report mentioned in Articles L. 225-100 and L 225-102 that presents the income statement and activity of Transgene.

### 2.3.1.1. Compensation policy

#### Persons concerned by the compensation policy

This report concerns the corporate officers of the Company, i.e. (i) the Chairman and Chief Executive Officer, (ii) the Deputy Chief Executive Officer and the Directors.

#### Information on corporate offices

The current term of office of the Chairman and Chief Executive Officer is a renewable 3-year period, corresponding to his term as director. The terms of the current directors' mandates are also all 3 years. The Company's bylaws provide that the term of a director's mandate, and by extension, the Chairman and Chief Executive Officer's mandate, may be set at between 1 and 4 years at the time of appointment, with 3 years being the default term. The corporate mandate of the Deputy Chief Executive Officer along with his employment contract have indefinite terms. All corporate mandates can be terminated ad nutum by the Company's shareholders, and by the Board of Directors in the case of the Deputy Chief Executive Officer. Christophe Ancel's employment contract may be terminated by the Chairman and Chief Executive Officer under the conditions of the pharmaceutical industry collective bargaining agreement, which provides for three months' notice.

#### General information on the compensation policy

This report contains the specific information required by Article L 225-37-2 of the French Commercial Code as well as the additional information that the Board of Directors considers useful for an overview of corporate officers' compensation.

The implementation of the compensation policy for corporate officers (Chairman and Chief Executive Officer, Deputy Chief Executive Officer and Directors) for 2020 described below is subject to the adoption of a resolution concerning the overall compensation policy at the Shareholders' Meeting. Three other resolutions allow shareholders to express their views on the application of this policy to the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and the Directors.

#### Method

To establish the compensation policy for corporate officers, the Compensation Committee analyzes the compensation in its totality taking all of the components into account. On the recommendation of this Committee, based on the general principles described below, the Board of Directors approved the compensation policy for its executive corporate officers, while ensuring for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer that the rules to determine this compensation are coherent with the annual assessment of the individual performance which it compares to Transgene's performance.

Periodic reviews are made on the same basis, depending on feedback and the observation of practices in other comparable companies. These reviews also take into account the change in compensation conditions for Transgene's employees, and notably, although not a determining factor, the increases granted as part of the mandatory annual negotiations. The performance conditions for the variable compensation and the free allocations of shares to executive corporate officers are recommended to the Board by the Compensation Committee after consulting the Strategy Committee on the Company's annual and medium to long-term objectives. These performance conditions are based partly on collective targets and partly on individual targets. Once approved by the Board and by the Shareholders' Meeting, the implementation of the policy is monitored by the Compensation Committee, which reports at least annually to the Board and formulates recommendations on the decisions that the Board makes.

After the assessment period applicable to a performance condition, the Compensation Committee assesses the level of achievement and formulates a recommendation to the Board. The Compensation Committee or the Board may consult the Chairman and Chief Executive Officer during the formulation and the periodic review of the compensation policy, but, to avoid conflicts of interest, the latter does not take part in decisions concerning him. The Deputy Chief Executive Officer does not take part in the sessions of the Compensation Committee or the Board of Directors. To assess Transgene's policy compared to practices in other companies, the Committee may use market studies or external experts. The Compensation Committee also plays a central role in the compensation allocated to directors, by recommending breakdown rules to the Board, monitoring their implementation and by recommending, if required, that the Board propose a revised budget to the Shareholders' Meeting.

## General principles

The Chairman and Chief Executive Officer does not hold an employment contract. Philippe Archinard has never been an employee of Transgene or one of its subsidiaries. The Chairman and Chief Executive Officer is compensated by Institut Mérieux in his position as Director of its Immunotherapy Unit and it is specified that this compensation does not fall within the scope of application of Transgene's compensation policy or the votes during its Shareholders' Meeting.

Before his appointment as Deputy Chief Executive Officer, Christophe Ancel was an employee of Transgene. His employment contract has remained in force since his appointment. The Board is of the opinion that maintaining this employment contract is justified in this case given that the Responsible Pharmacist's corporate office is a regulatory requirement.

For the Chairman and Chief Executive Officer, the Board of Directors approved the following general principles that form the basis for determining his compensation and benefits.

- Incentive to pursue the Company's core interests;
- Compliance with the MiddleNext Code recommendations;
- No termination of function indemnity;
- No non-compete indemnity in the event of departure;
- No additional supplementary pension plan;
- No director's fees in respect of his term of office as director;
- Taking into account the level and difficulty of the responsibilities of the executive corporate officer;
- Taking into account his experience and seniority in the Company and the Institut Mérieux group;
- Taking into account the practices in companies exercising comparable activities;
- A motivating and balanced compensation structure broken down as follows:
  - fixed compensation,
  - annual variable compensation based on collective and individual, financial and non-financial objectives,
  - taking into account possible allocations of options or free shares by Transgene,
  - no deferred annual variable compensation;
  - no multi-year variable compensation. no benefits in kind;
  - no additional compensation paid by a Transgene subsidiary;

For the Deputy Chief Executive Officer, an executive corporate officer due to his regulatory status as Responsible Pharmacist of Transgene, the Board of Directors decided to follow the same compensation and benefits structure as that applied to Transgene's Executive Committee. The result is:

- Incentive to pursue the Company's core interests;
- Compliance with the MiddleNext Code recommendations;
- No indemnity for the end of the corporate office, but maintained rights related to the employment contract including an indemnity based on the length of service with no performance condition);
- No non-compete indemnity in the event of departure;
- No additional supplementary pension plan;
- Taking into account his experience and seniority in the Company and the Institut Mérieux group;
- Taking into account the practices in companies exercising comparable activities;
- A motivating and balanced compensation structure broken down as follows:
  - fixed compensation;
  - annual variable compensation based on collective and individual, financial and non-financial objectives;
  - taking into account possible allocations of options or free shares by Transgene;
  - benefit in kind (company car);
  - no deferred annual variable compensation;
  - no multi-year variable compensation.
- no additional compensation paid by a Transgene subsidiary.

The Board is of the opinion that the procedures for setting the compensation of these two corporate officers comply with the principles defined in recommendations R13 and R18 of the MiddleNext Corporate Governance Code. The proportion of free shares allocated to the two corporate officers in 2019 compared to the full allocation is 23.6%, a level that the Board does not consider to be an excessive concentration. The Board decided to subject a portion only of the free shares granted to the corporate officers to performance conditions.

An analysis by the Compensation Committee, followed by the Board, concluded that application of the rules to all of the free Company shares granted was not appropriate given that their evolution, in the absence of recurring revenue generated by business activity remains subject to a high technological risk whose hazards are already taken into account in the vesting period and the holding period of the shares, the volatility of their value, and in the presence condition. The multiannual vesting and conservation period after granting is medium-term and, in itself, sufficient to provide an incentive for long-term collective performance, and is reinforced for the Chairman and Chief Executive Officer, who has an obligation to retain 10% of the grant until the end of the performance of his duties. The performance assessment period varies according to the allocation from one to three years.

For the directors, the Board of Directors approved the following general principles on which directors' compensation is based:

- Compliance with the MiddleNext Code recommendations;
- No overruns of the annual collective budget authorized in the Annual General Shareholders' Meeting;
- No compensation allocated to non-independent directors;
- Allocation primarily based on attendance;
- Supplement for directors traveling from other continents; and
- Possibility of special missions as provided for by law.

The Board of Directors considers that the general principles enable the alignment of the compensation policy with the Company's fundamental interests.

| Fundamental interest | Chairman and Chief Executive Officer | Deputy Chief Executive Officer | Directors |
|---|---|---|---|
| Respect for corporate interests | Sufficient to attract/retain a qualified candidate | Sufficient to attract/retain a qualified candidate | Sufficient to attract/retain a qualified candidate |
| | Not excessive; performance conditions | Not excessive; performance conditions | Not excessive; no compensation required for non-independents |
| Contribution to Transgene's Strategy | Variable compensation conditional on achievement of results and free share grants partly conditional on achievement of results and for which the value, in any case, depends on Transgene's performance | Variable compensation conditional on achievement of results and free share grants partly conditional on achievement of results and for which the value, in any case, depends on Transgene's performance | Helps attract relevant skills and coordinate special committees |
| Contributes to Transgene's long-term success | Sufficient to attract/retain a qualified candidate | Sufficient to attract/retain a qualified candidate | Sufficient to attract/retain a qualified candidate |

## Substantial amendments compared to the previous policy

Since the last *ex ante* compensation policy submitted to shareholders during the Shareholders' Meeting of May 22, 2019, the substantial amendments are:

- The amount of gross fixed compensation for the chief executive officer changes from €112,547 for the 2019 fiscal year to €115,932 for the 2020 fiscal year, ie, an increase of 3% under his employment contract in accordance with changes in total employee compensation; and
- The inclusion of the compensation allocated to directors in the policy.

The Board listens to the opinions expressed by shareholders on the issue of compensation. During the 2019 Shareholders' Meeting, no questions concerning compensation were submitted before or during the discussions. The resolutions concerning compensation were all adopted by a large majority of shareholders, including shareholders not related to the reference shareholder.

## In the event of a change in individuals

Once approved by the shareholders, the policy is expected to be applied to the Company's current corporate officers, including in the event that the term of office of these individuals is renewed during the fiscal year. In the event of a change in individuals or the addition of new mandates during the year, the following rules shall be applied:

- New directors: The scale described in this policy shall be applied to the new director(s) without amendments and within the limits of the total annual budget authorized by shareholders.
- New Chairman and Chief Executive Officer: the current conditions shall be the maximum applied except in the event of the adoption of a new ex ante policy by the shareholders. However, the allocation of share-based compensation and a golden hello in cash may be granted

to compensate for the individual's abandonment of elements of compensation and benefits attached to his/her previous position to join Transgene. The cumulative value of such share-based compensation and such a golden hello allocated in this case, in addition to the other conditions imposed by law, shall be limited to the equivalent of one year's compensation. In the event of internal recruitment, the combination of an employment contract and corporate office may be authorized by the Board of Directors if the value ceilings are complied with. In the event of the dissolution of the functions of Chairman and Chief Executive Officer, these maximums shall be applicable to the sum of the two positions.

- New Deputy Chief Executive Officer: if a new Deputy Chief Executive Officer is appointed, notably as the Responsible Pharmacist, if this person combines an employment contract with the corporate office, the compensation shall be the higher of that provided by the employment contract and that granted to the office's current holder. In the other cases, the current conditions shall be the maximum applied before the adoption of a new *ex ante* policy by the shareholders. Share-based compensation and a golden hello may also be authorized under the same conditions as those described for the Chairman and Chief Executive Officer.

### Exemptions

The Board of Directors reserves the right to temporarily derogate from this policy in exceptional circumstances, but only after a majority of shareholders, in which takes part a majority of independent directors, determines that this exemption from the compensation policy is necessary to serve the interests and long-term success of the whole Company or to guarantee its viability. The Board of Directors' exemptions and grounds shall be published on the Company's website without waiting for the publication of the following corporate governance report. The exceptional conditions justifying a temporary exemption may include, for example, the impossibility of recruiting a new qualified corporate officer with the resources provided by the current policy, or the need to retain key individuals in the event of a possible takeover or restructuring.

## 2.3.1.2. Criteria and methods selected by the Board of Directors to determine, distribute and allocate the fixed, variable and exceptional items that comprise the total compensation and benefits of any kind for the Chairman and Chief Executive Officer (Philippe Archinard)

### 1. Fixed compensation

Fixed compensation, paid in 12 monthly installments, reviewed and adjusted annually by the Board of Directors on the recommendation of the Compensation Committee taking into account in particular the best practices in the Company's industry. The gross fixed compensation proposed for the 2020 fiscal year is €403,391, unchanged compared to 2019.

### 2. Annual variable compensation

A maximum of 100% of fixed compensation. The variable compensation is determined according to the level of achievement of the collective objectives (weight: 40%) and individual criteria (weight: 60%), as noted by the Board of Directors on the advice of the Compensation Committee. These targets are both quantitative and qualitative, based on the achievement of the Company's strategic objectives. The collective targets for 2020: value generation with a significant deal on one of the Company's mature assets (weight: 1/3); value generation with the research programs (weight: 1/3); as well as the Company's ability to advance its clinical programs including those that derive from the new generation platforms (particularly *myvac*® and Invir.IO™) (weight: 1/3). The individual performance criteria of the Chairman and Chief Executive Officer are made up of elements associated with designing the Company's long-term strategy, organizing the work of the Board of Directors and its committees, financing the company, and establishing of partnerships. It should be noted that these targets are partly financial and partly non-financial, but always aligned with corporate interests. They are expected to change from year to year according to the Board of Directors' assessment of the priority actions to achieve the Company's medium and long-term objectives. The Board's practice is to set the same collective targets for all employees in order to align the Company on a shared course.

In the event of exceptional circumstances, the Board of Directors, on the advice of the Compensation Committee, could propose an exceptional bonus. This is paid during the fiscal year after the one in which the performance was noted.

Pursuant to Article L. 225-37-2 of the French Commercial Code, the payment of the annual or exceptional variable compensation is subject to approval by an Annual General Shareholders' Meeting of the items of compensation of the Chairman and Chief Executive Officer under the conditions stipulated in Article L. 225-100 of the French Commercial Code. Once paid, the compensation is not subject to a restitution obligation.

### 3. Total annual cash compensation

The resulting cash compensation (excluding any exceptional bonus) may reach a total of €806,782 in respect of the 2020 fiscal year, of which 50% fixed and 50% variable.

### 4. Allocation of shares

The Board of Directors allocates free shares subject to a presence condition within the limits of the envelop authorized by the General Meeting. Half of the shares are subject to performance conditions based on the Company performance criteria used for setting annual variable compensation. The minimum vesting and lock-up periods are those provided for by law, and at least 10% of the shares definitively vested must be retained until the end of a corporate mandate at Transgene. Share-based compensation aims to increase the portion of "risky" compensation due to performance conditions and the connection to the share price. After the allocation of September 2019, the residual free share allocation consists of 600,000 shares, of which no more than one quarter may be allocated to the Chairman and Chief Executive Officer in 2020.

## 2.3.1.3. Criteria and methods selected by the Board of Directors to determine, distribute and allocate the fixed, variable and exceptional items that comprise the total compensation and benefits of any kind for the Deputy Chief Executive Officer (Christophe Ancel)

### 1. Fixed compensation

Fixed compensation, paid in 12 monthly installments, reviewed and adjusted annually by the Board of Directors on the recommendation of the Compensation Committee and the Chairman and Chief Executive Officer, taking into account in particular the best practices in the Company's industry. The gross fixed compensation proposed for the 2020 fiscal year is €115,932, an increase of 3% compared to 2019.

### 2. Annual variable compensation

A maximum of 30% of fixed compensation. The variable compensation is determined according to the level of achievement of the collective (weight: 40%) and individual (weight: 60%) objectives, as noted by the Board of Directors on the advice of the Compensation Committee. These targets are both quantitative and qualitative, based on the achievement of the Company's strategic objectives. The collective targets for 2020: value generation with a significant deal on one of the Company's mature assets (weight: 1/3); value generation with the research programs (weight: 1/3); as well as the Company's ability to advance its clinical programs including those that derive from the new generation platforms (particularly *myvac*® and Invir.IO™) (weight: 1/3). Christophe Ancel's individual objectives for 2020: commencement and functioning of the PilotClin in-house production line (weight: 1/2), pharmaceutical quality assurance (weight: 1/4) and management of outsourced production of candidate drugs (weight: 1/4). It should be noted that these targets are partly financial and partly non-financial, but always aligned with corporate interests. They are expected to change from year to year according to the Board of Directors' assessment of the priority actions to achieve the Company's medium and long-term objectives. The Board's practice is to set the same collective targets for all employees in order to align the Company on a shared course. In the event of extraordinary circumstances, the Board of Directors, on the proposal of the Chairman and Chief Executive Officer and on the advice of the Compensation Committee, could propose an extraordinary bonus.

Christophe Ancel's compensation is entirely paid in respect of his employment contract and no additional compensation is paid or allocated in respect of his corporate office. Once paid, the compensation is not subject to a restitution obligation.

### 3. Total annual cash compensation

The resulting cash compensation (excluding any exceptional bonus) may reach a total of €150,712 in respect of the 2020 fiscal year, of which 76.9% fixed and 23.1% variable.

### 4. Benefits in kind

A Company car is allocated to the Deputy Chief Executive Officer. The value for 2020 is estimated at approximately €6 thousand.

### 5. Allocation of shares

The Board of Directors allocates free shares subject to a presence condition within the limits of the envelop authorized by the General Meeting. Half of the shares are subject to performance conditions based on the Company performance criteria used for setting annual variable compensation. The minimum vesting and lock-up periods shall be those provided for by law. Share-based compensation aims to increase the portion of "risky" compensation due to performance conditions and the connection to the share price. The allocation to the Deputy Chief Executive Officer shall not exceed the allocation to other members of the Executive Committee.

## 2.3.1.4 Criteria and methods selected by the Board of Directors to determine, break down and allocate the compensation allocated to directors

As compensation for their Board activity, the directors benefit collectively from a fixed annual amount known as "allocated compensation" for which the amount is recorded in operating expenses. The Board breaks down the compensation that is allocated and determined by the Shareholders' Meeting. The directors' compensation must be distinguished from the amounts allocated for particular activities associated with employment contracts, compensation for the Chairman, Chief Executive Officer and Deputy Chief Executive Officers, exceptional compensation for specific missions or mandates, refund of expenses.

The independent directors have the right to a fixed portion as consideration for their function as directors and, if applicable, members, or Chairman, of one or several committees, and to a variable portion according to their effective and regular attendance at Board meetings, and if applicable, at the

meetings of the committees in which they are members. The variable portion is the main portion of the compensation.

The Board has adopted the following scale:

- Annual flat rate for all independent directors: €4,000;
- Allocation per Board meeting: €3,000;
- Allocation per session of a permanent special committee: €2,000
  - Allocation doubled for the physical participation of a director based outside of Europe.
  - Possibility of allocating up to €2,000 for the participation in a Scientific Advisory Board or a Medical Advisory Board or an *ad hoc* committee, at the Compensation Committee's discretion without the participation of the concerned director in the vote.
  - In the event that the budget authorized by the shareholders is exceeded, the Board will adjust the scale retrospectively on the recommendation of the Compensation Committee. The allocated compensation may be paid on a quarterly, half-yearly or annual basis, but never in advance. Once paid, the compensation allocated is not subject to a restitution obligation.
  - The non-independent directors do not receive flat rates, directors' fees or allocations.

## 2.3.2 Compensation for 2019 – Corporate officers compensation for 2019



Pursuant to the Ruling no. 2019-1234 of November 27, 2019 on the compensation of corporate officers of listed companies and the decree no. 2019-1235 of November 27, 2019 transposing Directive (EU) 2017/828 of May 17, 2017 amending Directive 2007/36/EC for the purpose of promoting the long-term commitment of shareholders, this Section 2.3.2 constitutes a report to shareholders on the compensation paid or allocated to corporate officers of the Company during the 2019 fiscal year in respect of their office. This report contains the specific information required by Article L 225-37-3 of the French Commercial Code as well as the additional information that the Board of Directors considers useful for an overview of corporate officers' compensation.

### Persons concerned

This report concerns the corporate officers of the Company, i.e. (i) the Chairman and Chief Executive Officer, (ii) the Deputy Chief Executive Officer and the directors.

Following a proposal by the Compensation Committee, at its meeting on March 20, 2019, the Board of Directors agreed the compensation package for Philippe Archinard and Christophe Ancel for 2019. This package was proposed to the General Shareholders' Meeting on May 22, 2019 as a compensation policy as stipulated under Article L. 225-37-2 of the French Commercial Code in force at that date. Following a proposal by the Compensation Committee, at its meeting on March 11, 2020, the Board of Directors approved the level of achievement of the performance conditions for the variable compensation as well as the free share grants, and consequently, the amount of variable compensation and the number of free shares definitively vested.

With regard to the other corporate officers, i.e. Company directors other than the Chairman and Chief Executive Officer, the shareholders during the Combined Shareholders' Meeting of June 8, 2017 authorized a maximum annual compensation budget of €250,000 and delegated the Board of Directors to set up the rules for allocation between the directors in accordance with the law. Following the proposal by the Compensation Committee, at its meeting of March 17, 2017, the Board of Directors established the rules for the breakdown of this compensation allocated to directors and this scale was included in the Board of Directors' internal rules during its meeting of December 18, 2019.

# General information on the compensation policy and on equity ratios.

## ANNUAL CHANGE IN COMPENSATION FOR EXECUTIVE CORPORATE OFFICERS OVER 5 YEARS

The following table presents the average and median compensation based on a full-time equivalent of Company employees other than corporate officers (the guideline) as well as the so-called "equity" ratios between these guidelines, the minimum annual wage, in Frane (SMIC), on the one hand, and on the other hand, the compensation paid to each of the executive corporate officers over the last five fiscal years.

| | Guidelines | | | Chairman and Chief Executive Officer | | | | Deputy Chief Executive Officer | | | | Transgene | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal year | Compensation | | | Equity ratios | | | | Equity ratios | | | | Financial Performance | |
| | Average = A | Median = B | SMIC minimum wage = C | Compensation of the Chairman and Chief Executive Officer | vs. A | vs. B | vs. C | Compensation of the Deputy Chief Executive Officer | vs. A | vs. B | vs. C | Revenues | Net income/ (loss) |
| 2019 | 57,374 | 48,391 | 18,255 | 752,351 | 13.1 | 15.6 | 41.2 | 143,809 | 2.5 | 3.0 | 7.9 | 13,733 | (18,804) |
| 2018 | 58,839 | 49,441 | 17,982 | 743,511 | 12.6 | 15.0 | 41.3 | 141,601 | 2.4 | 2.9 | 7.9 | 42,919 | 8 029 |
| 2017 | 55,483 | 46,753 | 17,763 | 731,732 | 13.2 | 15.7 | 41.2 | 139,710 | 2.5 | 3.0 | 7.9 | 8,144 | (32 275) |
| 2016 | 50,329 | 40,571 | 17,600 | 764,004 | 15.2 | 18.8 | 43.4 | 133,011 | 2.6 | 3.3 | 7.6 | 10,311 | (24 186) |
| 2015 | 48,614 | 40,463 | 17,490 | 304,559 | 6.2 | 7.5 | 17.4 | 125,725 | 2.6 | 3.1 | 7.2 | 9,994 | (37 909) |

Transgene is a biotechnology company in a research and development phase and, in its business model, financial performance, excluding fund raising, is not the most relevant indicator.

### Shareholder Dialog

The Board listens to the opinions expressed by shareholders on the issue of compensation. During the 2019 Shareholders' Meeting, no questions concerning compensation were submitted before or during the discussions. The resolutions concerning compensation were all adopted by a large majority of shareholders, including shareholders not related to the reference shareholder.

### Differences and exemptions

No differences or exemptions must be noted. The compensation paid or allocated to corporate officers in respect of the 2019 fiscal year complies with the conditions of resolution 8 and resolution 9 approved by the Company's shareholders during the Combined Shareholders' Meeting of May 22, 2019.

The compensation allocated to directors complies with the conditions of resolution 5 approved by the Company's shareholders during the Combined Shareholders' Meeting of June 8, 2017.

## Chairman and Chief Executive Officer and Deputy Chief Executive Officer

In accordance with the Compensation Policy for the Chairman and Chief Executive Officer approved by the General Shareholders' Meeting on May 22, 2019, his annual compensation for 2019 was made up of annual fixed gross compensation of €403,391 and variable compensation of between 0 and 100% of his annual fixed compensation, conditional on both the Company's collective objectives for 2019 and certain other individual objectives related to his duties being met.

The Deputy Chief Executive Officer's annual compensation for 2019 was made up of annual fixed gross compensation of €112,547 and variable compensation of between 0% and 25% of his annual fixed compensation, conditional on both the Company's collective objectives for 2019 and certain other individual objectives related to his duties as Quality Manager being met. It should be noted that Christophe Ancel's compensation results from his employment contract and that no additional compensation is paid in respect of his corporate office.

Moreover, under a multi-year free share plan adopted at the 2018 General Shareholders' Meeting following a proposal by the Compensation Committee, the Board of Directors placed a requirement on the Executive Committee and, in particular on the Chairman and Chief Executive Officer that a portion of the free shares granted in March 2019 would be acquired on a proportionate basis according to the extent to which the aforementioned Company's collective objectives were met and that half of the free shares granted in September 2019 would be acquired on a proportionate basis according to the achievement of the medium and long-term objectives to be assessed in March 2022. These medium and long-term objectives are: the obtaining of clinical results for TG4050, TG6002 and at least one Invir.IO™ product with at least a second Invir.IO™ product in clinical trials, the exercise by AstraZeneca of a minimum number of options as part of the collaboration contract signed in 2019, significant partnerships for TG4001 and TG4010, and two years of financial visibility thanks to non-dilutive source. The conditions may also be

validated by the achievement of a minimum level of share price. The specific thresholds for the performance conditions are not communicated for reasons of confidentiality.

Following a proposal by the Compensation Committee, on March 11, 2020, the Board of Directors reviewed the extent to which the individual criteria had been met. The Company's 2019 objectives focused in particular on the progress of the clinical trial portfolio of certain key research projects as well as on promoting the Company's platforms and establishing collaborative relationships and external partnerships. For reasons of confidentiality, the details of collective and individual performance criteria, although predefined in detail, are not made public.

Given the relative weight of the various performance criteria, the Board of Directors observed a 60% level of achievement of the Company's objectives for 2019. Applying this 60% level of achievement to the March 2019 free share allocation results in a 40% reduction in the conditional portion of the allocation. For Philippe Archinard, the level of achievement of Company collective and his individual objectives gives rise to variable compensation of 85% of his fixed annual compensation for 2019. For Christophe Ancel, the level of achievement of Company collective objectives and individual performance conditions gives rise to variable compensation of 26.7% of his annual fixed compensation in respoect of 2019.

It should be recalled that the performance conditions are partly financial and partly non-financial, but always aligned with the corporate interest by combining a significant share of the executive corporate officer's variable compensation with priorities such as research, continued technological advantages, clinical development programs, CSR or the completion of major partnerships or financing operations. The non-financial components consist of priority actions to achieve the Company's medium and long term objectives. For example, developing the Company's reputation via publications, obtaining clinical results or signing partnerships with public or university research centers. The criteria chosen by the Board of Directors are demanding, which resulted in partial achievement and loss of part of the variable and share-based compensation in 2019. The items that contributed to achievement of a level below 100% were mainly the absence of valuation of assets at the clinical stage in 2019.

An overview of the compensation packages of executive corporate officers for Fiscal year 2019 is presented below.

## Table 1

### SUMMARY OF THE COMPENSATION, STOCK OPTIONS AND SHARES GRANTED TO EACH CORPORATE OFFICER

| *(in € thousands)* | FY 2018 | FY 2019 |
|---|---|---|
| **Philippe Archinard, Chief Executive Officer** | | |
| Compensation payable for the year *(details in Table 2)* | 748 | 746 |
| Valuation of multi-year compensation | None | None |
| Valuation of options assigned during the year *(details in Table 4)* | None | None |
| Valuation of performance shares allocated during the fiscal year -- 26,000 shares in 2018, 340,000 shares in 2019 | 82 | 665 |
| **TOTAL** | **830** | **1,411** |
| **Christophe Ancel, responsible pharmacist, deputy Chief Executive Officer** | | |
| Compensation payable for the year *(details in Table 2)* | 136 | 144 |
| Valuation of multi-year compensation | None | None |
| Valuation of options assigned during the year *(details in Table 4)* | None | None |
| Valuation of performance shares allocated during the fiscal year -- 8,600 shares in 2018, 87,500 shares in 2019 | 27 | 173 |
| **TOTAL** | **163** | **317** |

***NB:*** *The allocations of shares are presented on the date of allocation without taking into account subsequent reductions, for example due to the application of performance conditions.*

*Due to the Company's performance criteria only being partially met for 2019, on March 11, 2020, the Board of Directors reduced the Chairman and Chief Executive Officer's allocation of performance shares by 12,000 shares and the Deputy Chief Executive Officer's allocation by 3,500 shares allocated in March 2019. The shares allocated in September 2019 remain subject to performance conditions that will be assessed in March 2022. Due to the Company's performance criteria only being partially met for 2018, on March 20, 2019, the Board of Directors reduced the Chairman and Chief Executive Officer's allocation of performance shares by 3,250 shares and the Deputy Chairman and Chief Executive Officer's allocation by 1,075 shares.*

## Table 2

### SUMMARY OF COMPENSATION OF EACH EXECUTIVE CORPORATE OFFICER

| | FY 2018 | | FY 2019 | |
|---|---|---|---|---|
| *(in € thousands)* | **Amount due** | **Amount paid** | **Amount due** | **Amount paid** |
| **Philippe Archinard, Chief Executive Officer** | | | | |
| Fixed compensation | 394 | 394 | 403 | 403 |
| Variable compensation | 354 (1) | 344 (2) | 341 (1) | 354 (2) |
| Exceptional compensation | - | - | - | - |
| Director's fees | - | - | - | - |
| Payments in kind | - | - | - | - |
| **TOTAL** | **748** | **738** | **746** | **757** |
| **Christophe Ancel, responsible pharmacist, deputy Chief Executive Officer** | | | | |
| Fixed compensation | 99 (A) | 99 (A) | 107 (B) | 107 (B) |
| Variable compensation | 30 (1) | 25 (2) | 28 (1) | 30 (2) |
| Exceptional compensation | 2 | - | 4 | 2 |
| Director's fees | - | - | - | - |
| Payments in kind | 5 | 5 | 5 | 5 |
| **TOTAL** | **136** | **131** | **144** | **144** |

*(1) In respect of fiscal year N, paid or to be paid during fiscal year N+1.*
*(2) In respect of fiscal year N-1, paid during fiscal year N.*
*(A) Pro rata of the amount of €110,199 authorized for full time.*
*(B) Pro rata of the amount of €112,338 euros authorized for full time.*

## Table 7

### PERFORMANCE STOCK THAT BECAME AVAILABLE FOR SALE DURING THE PERIOD FOR EACH CORPORATE OFFICER:

- Chairman & CEO: None.
- Deputy CEO: None.

## Table 10

See Section 2.4.2.

## Table 11

| *Executive corporate officers* | Employment contract | | Additional pension | | Compensation due or that may become due as a result of termination or plan change in positions | | Compensation related to a non-compete clause | |
|---|---|---|---|---|---|---|---|---|
| | YES | NO | YES | NO | YES | NO | YES | NO |
| **Philippe Archinard**, Chief Executive Officer<br>Dates of term: 2004-2020 | | X | | X | | X | | X |
| **Christophe Ancel**, Deputy Chief Executive Officer<br>Dates of term: 2015-2020 | X | | | X | X | | | X |

As far as the Company is aware:

- none of the directors benefit from an undertaking on the part of the Company or its subsidiaries in terms of elements related to compensation, indemnities or benefits of any kind which are or may be due in light of the employment, termination of employment or change in position, or afterwards;
- none of the directors received compensation from TSGH, which directly controls Transgene, during the fiscal year.

## Total amount of pension provisions

At December 31, 2019, retirement provisions set up by the Company for the corporate officers totaled €398 thousand for Philippe Archinard and €61 thousand for Christophe Ancel. The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer do not benefit from supplementary pension schemes in addition to those provided by law and the pharmaceutical industry collective bargaining agreement.

## The directors

The following table presents the total compensation allocated to each director in respect of the 2019 fiscal year compared to the 2018 fiscal year. The maximum aggregate budget and the breakdown rules did not change in 2018 or 2019, and the differences between the two fiscal years are attributable only to the number of meetings of the Board and special committees convened and the attendance of each director.

## Table 3

### SUMMARY OF DIRECTOR'S FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE DIRECTORS

| Non-executive corporate officers *(in € thousands)* | Amount paid in 2018 | Amount paid in 2019 |
|---|---|---|
| **JEAN-PIERRE BIZZARI** | | |
| Director's fees | 32 | 27 |
| Other compensation | None | None |
| **JEAN-LUC BÉLINGARD** (1) | | |
| Director's fees | None | None |
| Other compensation | None | None |
| **HEDI BEN BRAHIM** (1) (2) | | |
| Director's fees | N/A | None |
| Other compensation | N/A | None |
| **ANTOINE BÉRET** | | |
| Director's fees | 28 | 37 |
| Other compensation | None | None |
| **BENOÎT HABERT** | | |
| Director's fees | 28 | 37 |
| Other compensation | None | None |
| **MARIE-YVONNE LANDEL** | | |
| Director's fees | 44 | 51 |
| Other compensation | None | None |
| **ALAIN MÉRIEUX** (1) (2) | | |
| Director's fees | None | None |
| Other compensation | None | None |
| **TSGH (DOMINIQUE TAKIZAWA)** (1) | | |
| Director's fees | None | None |
| Other compensation | None | None |
| **MAYA SAÏD** | | |
| Director's fees | 52 | 61 |
| Other compensation | None | None |
| **LAURENCE ZITVOGEL** | | |
| Director's fees | 18 | 23 |
| Other compensation | None | None |
| **TOTAL** | **202** | **236** |

*(1) Non-independent director.*
*(2) The last term of Mr. Mérieux expired on May 22, 2019; the first term of Mr. Ben Brahim started on May 22, 2019.*

It should be noted that the rules for breaking down the allocated compensation are set in the Board of Directors' Internal Rules and are presented in Section 2.3.1.4 of this document under the heading "Criteria and methods selected by the Board of Directors to determine, distribute and allocate the compensation allocated to corporate officers".

As far as the Company is aware:

- none of the directors benefit from an undertaking on the part of the Company or its subsidiaries in terms of elements related to compensation, indemnities or benefits of any kind which are or may be due in light of the employment, termination of employment or change in position, or afterwards;
- none of the directors received compensation from TSGH, which directly controls Transgene, during the fiscal year. It should be noted that in 2019, the Company did not pay compensation to Mr. Bélingard, Mr. Ben Brahim and Mr. Mérieux nor to TSGH and its permanent representative (Dominique Takizawa).

## 2.3.3 Individual compensation for 2019 – Executive corporate officers' compensation for 2019

Pursuant to the Ruling no. 2019-1234 of November 27, 2019 on the compensation of corporate officers of listed companies and the decree no. 2019-1235 of November 27, 2019 transposing Directive (EU) 2017/828 of May 17, 2017 amending Directive 2007/36/EC for the purpose of promoting the long-term commitment of shareholders, this Section 2.3.3 constitutes a report to shareholders on the compensation paid or allocated to each executive corporate officer of the Company during the 2019 fiscal year in respect of their office. This report contains the specific information required by Article L 225-37-3 of the French Commercial Code as well as the additional information that the Board of Directors considers useful for an overview of executive corporate officers' compensation.

### Persons concerned

This report concerns the executive corporate officers of the Company, i.e. (i) the Chairman and Chief Executive Officer and (ii) the Deputy Chief Executive Officer. The overall compensation paid or allocated in respect of 2019 is presented individually for the Chairman and Chief Executive Officer and for the Deputy Chief Executive Officer in Section 2.3.2, above. The variable and exceptional compensation package for the Chairman and Chief Executive Officer and Deputy Chief Executive Officer are conditional on the approval by the Ordinary Annual General Shareholders' Meeting of such a package for the person in question under the conditions set out in Article L. 225-100. The following sub-sections "A" and "B" present for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer, respectively, the information requested by law for this approval.

### A. The variable and exceptional compensation for the Chairman and Chief Executive Officer (2019)

The total compensation for the Chairman and Chief Executive Officer paid or allocated in 2019 amounts to €746,275 in cash, and is valued at €1,411,475 including the share-based compensation allocated by the Board in 2019. The fixed compensation represents 54% of the cash compensation, the variable compensation represents the remaining 46%. This proportion complies with the *ex ante* compensation policy adopted in 2019, which provided for variable compensation of up to 100% of the fixed compensation.

The 2019 performance criteria for the Chairman and Chief Executive Officer comprised the following financial and non-financial targets: valuation of the Company's mature assets (weight: 20%), valuation of the research programs (weight: 10%), and the Company's ability to advance its clinical programs, including those that derive from the new generation *myvac*® and Invir.IO™ platforms (weight: 10%) (these three targets represent the collective performance conditions applicable to all employees for the annual variable compensation) and individual performance criteria comprising components relating to the designing of the long-term corporate strategy, organization of the Board and Committee work, the funding of the Company and the negociation and securing of partnerships. On March 11, 2020, the Board deliberating on the recommendation of the Compensation Committee, retained an overall level of achievement of 2019 targets of 85% including an achievement rate of 60% for collective objectives and of 100% for individual objectives. Criteria chosen by the Board of Directors are demanding, which in 2019 has translated into a partial non-achievement and the loss of a portion of the variable and share-based compensation. Items that have contributed to a level of achievement of less than 100% were mainly the lack of valuation in 2019 of clinical assets. On the other hand, the Board has retained as achieved the criteria for the design of the long-term strategy, the organization of the work of the Board of Directors and its committees, the financing of the company, notably with the payment of ten million dollars received from AstraZeneca and the capital increase of July 2019, and the negotiation and establishment of a partnerships with NEC Corporation and with AstraZeneca, the Neoviva consortium and a second agreement with BioInvent. The Chairman and Chief Executive Officer did not take part in this discussion.

The variable compensation allocated in respect of 2019 is paid in 2020 in order to assess the performance after the end of the fiscal year. In 2019, the Chairman and Chief Executive Officer was paid his variable compensation in respect of the 2018 fiscal year of €354,197, approved by the Shareholders' Meeting of May 22, 2019 (resolution no. 8).

During the 2019 fiscal year, the Chairman and Chief Executive Officer definitively vested 21,000 Company shares from the free allocation of shares on March 17, 2017 after the application of performance conditions resulting in a reduction of 12.5% in the number of free shares initially allocated. All of these shares remain subject to a two-year lock-up period. After this lock-up period, 10% of the definitively vested shares remain subject to a holding obligation until departure from his functions. During the same fiscal year, the Chairman and Chief Executive Officer benefited from the annual free allocation in March of 60,000 shares, all subject to a condition of presence and for half to the same collective performance conditions as the annual variable compensation and an exceptional free allocation in September of 280,000 shares, all subject to a condition of presence and half to the following performance conditions that will be assessed by the Board in March 2022: the obtaining of clinical results for TG4050, TG6002 and at least one Invir.IO™ product with at least a second Invir.IO™ product in clinical trials, the exercise by AstraZeneca of a minimum number of options as part of the collaboration contract signed in 2019, significant partnerships for TG4001 and TG4010, and two years of financial visibility thanks to non-dilutive sources. The conditions may also be validated by the achievement of a minimum level of share price. The specific thresholds for the performance conditions are not communicated for reasons of confidentiality.

The absence of a certain number of elements is recalled:

- The Chairman and Chief Executive Officer does not receive any benefits in kind;
- The Chairman and Chief Executive Officer does not benefit from a top-up pension scheme (top-hat scheme) nor a departure indemnity (golden parachute);
- The Chairman and Chief Executive Officer is not subject to a paid non-compete clause nor to a restitution clause (clawback).

More generally, no differences or exemptions must be noted. The compensation paid or allocated to the Chairman and Chief Executive Officer in respect of the 2019 fiscal year complies with the conditions of resolution 8 approved by the Company's shareholders during the Combined Shareholders' Meeting of May 22, 2019.

These components are summarized in the table below with a comparison with the 2018 fiscal year:

| *(in thousands of euros or number of shares)* | FY 2018 | FY 2019 |
|---|---|---|
| **Philippe Archinard, Chief Executive Officer** | | |
| Compensation payable with respect to the fiscal year | 748 | 746 |
| of which fixed compensation paid during the fiscal year | 394 | 403 |
| of which variable compensation in respect of the fiscal year but paid during the following fiscal year after shareholder approval | 354 | 343 |
| of which exceptional compensation due in respect of the fiscal year but paid during the following fiscal year after shareholder approval | None | None |
| of which directors' fees | None | None |
| of which benefits in kind | None | None |
| Valuation of multi-year compensation | None | None |
| Valuation of options allocated during the fiscal year | None | None |
| Valuation of performance shares assigned during the year -- 26,000 shares in 2018, 340,000 shares in 2019 | 82 | 665 |
| *Number of performance shares definitively vested during the fiscal year* | *21,000* | *22,750* |
| **TOTAL** | **830** | **1,411** |

## B. The variable and exceptional compensation for the Deputy Chief Executive Officer (2019)

The total compensation for the Deputy Chief Executive Officer paid or allocated in 2019 amounts to €138,719 thousand in cash, and is valued at €316,814 including the share-based compensation and benefit in kind allocated by the Board in 2019. The fixed compensation represents 77% of the cash compensation, the variable compensation represents the remaining 23%. This proportion complies with the *ex ante* compensation policy adopted in 2019, which provided for variable compensation of up to 25% of the fixed compensation and the possibility to attribute an exceptional compensation.

The 2019 performance criteria for the Deputy Chief Executive Officer comprised the following financial and non-financial targets: valuation of the Company's mature assets (weight: 20%), valuation of the research programs (weight: 10%), and the Company's ability to advance its clinical programs, including those that derive from the new generation *myvac*® and Invir.IO™ platforms (weight: 10%) and individual objectives comprising the setting up of the PilotClin production line (weight: 30%), pharmaceutical quality assurance (weight: 15%). On March 11, 2020, the Board deliberating on the recommendation of the Compensation Committee, retained an overall level of achievement of 2019 targets of 107% including an achievement rate of 60% for collective objectives and of 127% for individual objectives and a function-related bonus of €1,800. The fact that the target of 100% of individual objectives was exceeded is explained by the implementation of the PilotClin production line with the creation of a dedicated team at a controlled cost and in a very short time outperforming the initial objectives of the Board. The overall variable portion of 28.2% (on a €112,547 basis) consists of the achievement of the variable portion of 25% (28 thousand euros) plus an exceptional compensation of 4 thousand euros as permitted by the compensation policy. The Deputy Chief Executive Officer did not take part in this discussion. It is recalled that the variable compensation for the Deputy Chief Executive Officer is granted in respect of his employment contract.

The variable compensation allocated in respect of 2019 is paid in 2020 in order to assess the performance after the end of the fiscal year. In 2019, the Deputy Chief Executive Officer was paid his variable compensation in respect of the 2018 fiscal year of €32,000 (bonus and exceptional compensation), approved by the Shareholders' Meeting of May 22, 2019 (resolution no. 9).

During the 2019 fiscal year, the Deputy Chief Executive Officer definitively vested 6,625 Company shares from the free allocation of shares on March 17, 2017 after the application of performance conditions resulting in a reduction of 12.5% in the number of free shares initially allocated. All of

these shares remain subject to a two-year lock-up period. During the same fiscal year, the Deputy Chief Executive Officer benefited from the annual free allocation in March of 17,500 shares, all subject to a condition of presence and for half to the same collective performance conditions as the annual variable compensation and an exceptional free allocation in September of 70,000 shares, all subject to a condition of presence and half to the following performance conditions that will be assessed by the Board in March 2022: the obtaining of clinical results for TG4050, TG6002 and at least one Invir.IO™ product with at least a second Invir.IO™ product in clinical trials, the exercise by AstraZeneca of a minimum number of options as part of the collaboration contract signed in 2019, significant partnerships for TG4001 and TG4010, and two years of financial visibility thanks to non-dilutive sources. The conditions may also be validated by the achievement of a minimum level of share price. The specific thresholds for the performance conditions are not communicated for reasons of confidentiality.

In 2019, the Deputy Chief Executive Officer benefited from a company car, valued at €4,845. Under his employment contract, he benefits from the legal departure benefits provided by the national pharmaceutical industry collective bargaining agreement that currently opens the rights to just under eight months salary if the conditions are met.

The absence of a certain number of elements is recalled:

- The Deputy Chief Executive Officer does not benefit from a top-up pension scheme (top-hat scheme) nor a departure indemnity (golden parachute) in respect of his corporate office.
- The Deputy Chief Executive Officer is not subject to a paid non-compete clause nor to a restitution clause (clawback).
- More generally, no differences or exemptions must be noted. The compensation paid or allocated to the Deputy Chief Executive Officer in respect of the 2019 fiscal year complies with the conditions of resolution 9 approved by the Company's shareholders during the Combined Shareholders' Meeting of May 22, 2019. These components are summarized in the table below with a comparison with the 2018 fiscal year.

| *(in thousands of euros or number of shares)* | FY 2018 | FY 2019 |
|---|---|---|
| **Christophe Ancel, Deputy Chief Executive Officer** | | |
| Compensation payable with respect to the fiscal year | 131 | 144 |
| *of which fixed compensation paid during the fiscal year* | *99* | 107 |
| *of which variable compensation in respect of the fiscal year but paid during the following fiscal year after shareholder approval* | 30 | 30 |
| *of which exceptional compensation due in respect of the fiscal year but paid during the following fiscal year after shareholder approval* | *2* | 4 |
| *of which directors' fees* | *None* | *None* |
| *of which benefits in kind* | *5* | 5 |
| Valuation of multi-year compensation | None | None |
| Valuation of options allocated during the fiscal year | None | None |
| Valuation of performance shares assigned during the year – 8,600 shares in 2018, 87,500 shares in 2019 | 27 | 173 |
| *Number of performance shares definitively vested during the fiscal year* | *6,625* | *7,525* |
| **TOTAL** | **158** | **317** |

# 2.4 CORPORATE GOVERNANCE REPORT - INFORMATION ON STOCK OPTION AND FREE SHARE PLANS

## 2.4.1 Stock options

### 2.4.1.1 History of option plans

As of the date of this Registration Document, two stock option plans have been authorized by the Annual General Shareholders' Meeting, in 2008 and 2010, respectively, and were implemented by the Board of Directors. No stock options have been awarded since 2012. The status of these plans at December 31, 2019 is summarized in the following table.

| Grant date | Exercise start date | Expiration date | Exercise price | Number of options granted | Number of options exercised in 2019 | Number of options remaining to be exercised at 12/31/2019* |
|---|---|---|---|---|---|---|
| 12/16/2008 | 12/17/2014 | 12/17/2018 | 11.005 | 178,676 | 0 | 0 |
| 12/9/2009 | 12/10/2015 | 12/10/2019 | 17.122 | 76,907 | 0 | 0 |
| 12/7/2010 | 12/8/2015 | 12/8/2020 | 14.198 | 321,054 | 0 | 215,460 |
| 12/13/2012 | 12/14/2017 | 12/14/2022 | 7.859 | 92,578 | 0 | 41,532 |
| **TOTAL** | **N/A** | **N/A** | **N/A** | **N/A** | **0** | **256,992** |

* *This amount includes adjustments, in terms of the number of options and the exercise price, in accordance with regulations, following the capital increases maintaining preferential subscription rights of shareholders conducted in November 2016 and July 2019.*

Pursuant to Article L. 225-185, paragraph 4 of the French Commercial Code, the Board set at 10% the quantity of shares issued from the exercise of options granted starting in December 2007 that the Chairman and Chief Executive Officer will be obliged to hold as registered shares until he leaves his position.

**STOCK OPTIONS GRANTED TO CORPORATE OFFICERS OR EXERCISED BY THEM DURING 2019: NONE**

**STOCK OR PURCHASE OPTIONS ALLOCATED DURING THE FISCAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY THE ISSUER AND BY ANY COMPANY IN THE GROUP**

| Name of executive corporate officer | Plan No. and date | Type of options | Valuation *(in euros per option)* | Number of options granted | **Exercise price *(in euros)*** | Exercise period |
|---|---|---|---|---|---|---|
| Philippe Archinard | - | - | - | None | - | - |
| Christophe Ancel | - | - | - | None | - | - |
| **TOTAL** | **N/A** | **N/A** | **N/A** | **NONE** | **N/A** | **N/A** |

### STOCK OR PURCHASE OPTIONS EXERCISED DURING THE FISCAL YEAR BY EACH EXECUTIVE CORPORATE OFFICER

| Name of company executive corporate officer | Plan No. and date | Number of options exercised during the year | Exercise price |
|---|---|---|---|
| Philippe Archinard | - | None | - |
| Christophe Ancel | - | None | - |
| **TOTAL** | **N/A** | **NONE** | **N/A** |

Summary information on stock subscription options granted to the 10 non-corporate officer employees who received the highest number of options and options they exercised during 2019: None.

| Stock options granted to the 10 non-corporate officer employees who received the highest number of options and options they exercised | Total number of options granted or exercised | Weighted average price *(in euros)* | Plan No. and date |
|---|---|---|---|
| Options granted during the year by the issuer and by any company within the option plan scope, to the 10 non-corporate officer employees of the issuer and of any company within this scope, who received the highest number of options. | None | - | - |
| Options held on the issuer and the previously mentioned companies exercised during the year by the 10 employees of the issuer and these companies, who subscribed in this way the highest number of options. | None | - | - |

Individual information on the options granted by the issuer and by any company within the option plan scope, to the 10 non-corporate officer employees of the issuer and of any company within this scope, who received the highest number of options and the number of shares subscribed by the 10 people that subscribed the most shares during the fiscal year: there were no allocations of options in 2019. No options were exercised during the fiscal year.

## 2.4.2 Free allocation of shares

Three free allocations of shares are outstanding as of December 31, 2019, adopted by the Board of Directors in 2018 and 2019 for all employees and executive corporate officers under a delegation granted by the Annual General Shareholders' Meeting of May 23, 2018 (the 2018 plan) and May 22, 2019 (the 2019 plan).

It should be noted that the unused portions of the 2016 Plan and the 2018 Plan are canceled, whereas the unused portion of the 2019 Plan remains available for allocation.

The status of these plans at December 31, 2019 is summarized in the following table:

| | | 2016 plan | 2018 plan | 2019 plan |
|---|---|---|---|---|
| General Meeting date | | 05/24/2016 | 05/23/2018 | 05/22/2019 |
| Total number of shares authorized by the meeting | | 600,000 | 1,200,000 | 2,000,000 |
| | **2017 allocation** | **2018 allocation** | **2019 allocation** | **2019 allocation** |
| Board of Directors meeting date | 03/17/2017 | 03/21/2018 | 03/20/2019 | 09/18/2019 |
| Total number of bonus shares allocated | 183,000 | 220,600 | 414,800 | 1,399,774 |
| Of which allocations granted, during the year, by the issuer and by any company included in the scope of the allocation to corporate officers. | 31,000 | 34,600 | 77,500 | 350,000 |
| *Of which the Chairman and Chief Executive Officer* | 24,000 | 26,000 | *60,000* | 280,000 |
| *Of which the Deputy Chief Executive Officer* | 7,000 | 8,600 | *17,500* | 70,000 |
| Of which the number of shares allocated to members of the Executive Committee | 72,000 | 104,600 | 192,000 | 840,000 |
| Of which, grants made during the year by the issuer and by any company in the scope of awards, to the ten non-corporate officer employees of the issuer and of any company within this scope, whose number of free shares awarded is greatest. | 49,400 | 85,000 | | 628,236 |
| Of which the balance being acquired at 12/31/2019 | 0 | 219,582(*) | 416,733(*) | 1,399,774 |
| Of which final grant at 12/31/2019 | 173,175 | 0 | 0 | 0 |
| Cumulative number of shares canceled or void at 12/31/2019 | 9,825 | 2,000 | 0 | 0 |
| Final grant date | 03/17/2019 | 03/21/2020 | 04/20/2020 | 03/30/2022 |
| Expiration date of the lock-up period | 03/17/2021 | 03/21/2022 | 04/20/2021 | 03/30/2022 |
| Share value on the date of allocation (opening price on the date of allocation) | €2.63 | €3.15 | €2.98 | €1.78 |

(*) *This amount takes into account the adjustments in the number of shares carried out in accordance with allocation regulations, following the capital increases maintaining preferential subscription rights of shareholders conducted in 2019.*

## Performance conditions:

The allocation of September 18, 2019: Half of the grant to members of the Executive Committee, including 140,000 of the 280,000 shares allocated to the Chairman and Chief Executive Officer and 35,000 of the 70,000 shares allocated to the Deputy Chief Executive Officer, are subject to the following performance conditions: the obtaining of clinical results for TG4050, TG6002 and at least one Invir.IO™ product with at least a second **Invir.IO™** product in clinical trials, the exercise by AstraZeneca of a minimum number of options as part of the collaboration contract signed in 2019, significant partnerships for TG4001 and TG4010, and two years of financial visibility thanks to non-dilutive sources. The conditions may also be validated by the achievement of a minimum level of share price. The specific thresholds for the performance conditions are not communicated for reasons of confidentiality. These performance conditions will be assessed in March 2022.

The allocation of March 20, 2019: Half of the grant to members of the Executive Committee, including 30,000 of the 60,000 shares granted to the Chairman and Chief Executive Officer and 8,750 of the 17,500 shares granted to the Deputy Chief Executive Officer, were subject to performance conditions. Due to the Company's performance criteria only being partially met for 2019, on March 11, 2020, the Board of Directors reduced the Chairman and Chief Executive Officer's allocation of performance shares by 12,000 shares and the Deputy Chief Executive Officer's allocation by 3,500 shares allocated in March 2019.

The allocation of March 21, 2018: Half of the grant to the members of the Executive Committee, including 13,000 of the 26,000 shares granted to the Chairman and Chief Executive Officer and 4,300 of the 8,600 shares granted to the Deputy Chief Executive Officer, were subject to performance conditions. Due to the Company's performance criteria only being partially met for 2018, on March 20, 2019, the Board of Directors reduced the Chairman and Chief Executive Officer's allocation of performance shares by 3,250 shares and the Deputy Chairman and Chief Executive Officer's allocation by 1,075 shares allocated in March 2018. These reductions are effective as from 1 January 2020.

The allocation of March 17, 2017: Half of the grant to the members of the Executive Committee, including 12,000 of the 24,000 shares granted to the Chairman and Chief Executive Officer and 3,500 of the 7,000 shares granted to the Deputy Chief Executive Officer were subject to performance conditions. Due to the Company's performance criteria only being partially met for 2017, on March 21, 2018, the Board of Directors reduced the Chairman and Chief Executive Officer's allocation of performance shares by 3,000 shares and the Deputy Chief Executive Officer's allocation by 875 shares allocated in March 2017.

At the date of this report, the free shares allocated, but not issued, represent a potential dilution of 1,774,894 shares. For information, the options allocated, but not exercised, represent a potential dilution of 328,063 shares. The resulting potential dilution related to the share-based compensation amounts in total to approximately 2.4% of the Company's share capital.

### History of final grants

- On December 13, 2016, 37,550 newly issued shares free of all lock-up obligations were definitively vested to the beneficiaries of the plan adopted by the Board of Directors on December 13, 2012.
- On May 24, 2018, 200,733 newly issued shares with a lock-up obligation of two years were definitively vested to the beneficiaries of the plan adopted by the Board of Directors on May 24, 2016.
- On March 17, 2019, 173,175 newly issued shares with a lock-up obligation of two years were definitively vested to the beneficiaries of the plan adopted by the Board of Directors on May 24, 2016.
- On March 21, 2020, 203,971 newly issued shares with a lock-up obligation of two years were definitively vested to the beneficiaries of the plan adopted by the Board of Directors on May 24, 2016.

In total, 778,329 shares in the share capital of Transgene were issued under free allocations of shares.

## 2.5 AMF POSITION-RECOMMENDATION NO. 2014-14 – TABLES IN APPENDIX 2

In addition to the information required by the "say-on-pay" provisions of the French Commercial Code (L. Article 225-37), the tables required by appendix 2 of the AMF position-recommendation no. 2014-14 are presented below.

### Table 1

**SUMMARY OF THE COMPENSATION, STOCK OPTIONS AND SHARES GRANTED TO EACH CORPORATE OFFICER**

See paragraph 2.3.2.

### Table 2

**SUMMARY OF COMPENSATION OF EACH EXECUTIVE CORPORATE OFFICER**

See paragraph 2.3.2.

### Table 3

**SUMMARY OF DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE CORPORATE OFFICERS**

See paragraph 2.3.2.

### Tables 4 and 5:

**STOCK OR PURCHASE OPTIONS ALLOCATED DURING THE FISCAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY THE ISSUER AND BY ANY COMPANY IN THE GROUP**

**STOCK OR PURCHASE OPTIONS EXERCISED DURING THE FISCAL YEAR BY EACH EXECUTIVE CORPORATE OFFICER**

See Section 2.4.1.1.

## Table 6:

### PERFORMANCE SHARES ALLOCATED TO EACH CORPORATE OFFICER DURING THE FISCAL YEAR

Chairman & CEO: 340,000 shares.

Deputy Chief Executive Officer: 87,500 shares

## Table 7:

### PERFORMANCE STOCK THAT BECAME AVAILABLE FOR SALE DURING THE PERIOD FOR EACH CORPORATE OFFICER:

Chairman & CEO: 21,500

Deputy CEO: 6,625

## Tables 8 and 9:

### HISTORY OF SHARE SUBSCRIPTION OR PURCHASE OPTION ALLOCATIONS

### INFORMATION ON SUBSCRIPTION OR PURCHASE OPTIONS

See paragraph 2.4.1.1.

## Table 10:

### HISTORY OF FREE SHARE ALLOCATIONS

See paragraph 2.4.2.

## Table 11:

See paragraph 2.3.3

# 3

# INFORMATION REGARDING THE COMPANY'S EMPLOYMENT, ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY



# 3.1 NOTE ON METHODOLOGY

For the social indicators, the calculations were made using the headcount as at 12/31/2019, namely 159 employees (103 women and 56 men) of Transgene, based in France. The Group has one employee in its entity located in the United States, who was not included in this reporting.

Unless otherwise indicated, the items in the following report concern the Company (Transgene), located in France, where its business is primarily conducted in two facilities located in Illkirch-Graffenstaden and Lyon. Its wholly-owned subsidiary operates as a representative office (Transgene, Inc., based in the U.S. which had one employee at December 31, 2019) and no sales activity. It is therefore not included in the indicators of this report. Figures are provided for the fiscal years 2017, 2018 and 2019 only when such figures are relevant.

## Methodologies – details and limitations

Methodologies for reporting social, environmental and safety indicators are likely to have certain limitations inherent in the practicalities of collecting and consolidating such information.

The definitions and reporting methodologies are suitable for the following indicators:

### Environmental indicators

The indicators on water consumption only cover the activities in the building housing the registered office, the administrative and regulatory activities and the R&D labs at the facility in Illkirch-Graffenstaden (France). The Company is not in a position to present environmental indicators for the laboratory in Lyon, since no information has been provided by the landlord.

### Social indicators

#### Total workforce

Employees on a permanent or temporary employment contract with Transgene at December 31, 2019 are counted in the total workforce. Trainees and temporary staff are excluded.

#### Hires and departures

Temporary contracts are included in the reporting of this indicator. The following are excluded from the reported data on hires and departures: the conversion of temporary employment contracts to permanent ones when the end of the prior contract coincides with the start of the new contract.

#### Rate of absenteeism

It refers to the ratio of the number of working hours missed (illness, workplace accidents and commuting accidents) to the number of hours worked.

#### Number of hours worked

This indicator covers only the activities located in France for the period from January 1 to December 31, 2019.

The number of hours worked is taken from the payroll and is used to calculate the rate of absenteeism.

The hours used to calculate the frequency and severity rates are taken from the annual declaration of social data (abbreviated to DADS), in the specific workplace accidents section.

### Safety indicators

#### Frequency rate and severity of accidents with work stoppage

The frequency rate of accidents with work stoppage equals the number of accidents with work stoppage of greater than or equal to one day occurring during a twelve-month period per million hours worked. The severity rate of workplace accidents is equal to the number of days lost due to temporary disability, excluding commuting accidents, occurring during a period of twelve months per thousand hours worked. Commuting accidents from the home to the workplace are excluded from the calculation of these indicators.

# 3.2 EMPLOYEE INFORMATION

## 3.2.1 Responsibility as an employer

### 3.2.1.1 Employment

#### TOTAL NUMBER AND BREAKDOWN OF EMPLOYEES BY GENDER AND AGE

*Data specific to the Company: employees present at 12/31/2019 - France.*

| | Men | Women | Total |
|---|---|---|---|
| **Geographical area and age distribution** | **12/31/2019** | **12/31/2019** | **12/31/2019** |
| **Total** | **56** | **103** | **159** |
| under 25 years old | 7 | 5 | 12 |
| 25 to 39 years old | 16 | 26 | 42 |
| 40 to 49 years | 12 | 24 | 36 |
| over 50 years old | 21 | 48 | 69 |

#### HIRES AND DEPARTURES

| **For the period from January 1, 2019 to December 31, 2019 (Including apprenticeships, vocational contracts and CIFRE)** | |
|---|---|
| Hires | 29 (including 13 temporary and 5 work-study) |
| Departures | 11 (including 4 work-study) |

NB: the following indicators were established based on a full-year headcount (132 employees in 2019).

#### COMPENSATION AND CHANGES OVER TIME

The following table shows the breakdown of average gross annual compensation (wages/salary and bonuses) for men and women for 2017, 2018 and 2019, in euros:

| **Classification according to the Pharmaceutical Companies** | | **3** | **4-5** | **6 non-managers** | **6 managers**** | **7** | **8** | **9***** |
|---|---|---|---|---|---|---|---|---|
| | Men | 0 | 34,984 | NC * | 41,360 | 53,089 | 73,069 | 97,566 |
| 2019 | Women | NC * | 35,752 | 43,006 | 42,002 | 50,889 | 65,650 | NC* |

* *NC: data not provided for confidentiality reasons; only one employee is concerned by this classification*
** *Excluding CIFRE*
*** *Excluding Senior Director*

| **Classification according to the Pharmaceutical Companies** | | **3** | **4-5** | **6 non-managers** | **6 managers** ** | **7** | **8** | **9** *** |
|---|---|---|---|---|---|---|---|---|
| | Men | 0 | 33,830 | NC * | 41,313 | 53,799 | 76,726 | 96,516 |
| 2018 | Women | NC * | 32,222 | 41,991 | 40,257 | 49,261 | 64,656 | NC * |

* *NC: data not provided for confidentiality reasons; only one employee is concerned by this classification.*
** *Excluding CIFRE.*
*** *Excluding Senior Director.*

| Classification according to the Pharmaceutical Companies | | 3 | 4-5 | 6 non-managers | 6 managers ** | 7 | 8 | 9 *** |
|---|---|---|---|---|---|---|---|---|
| | Men | 0 | 34,573 | NC * | 39,868 | 51,412 | 69,245 | 105,048 |
| 2017 | Women | NC * | 31,249 | 41,043 | 38,731 | 48,966 | 63,032 | NC * |

* *NC: data not provided for confidentiality reasons; only one employee is concerned by this classification.*
** *Excluding CIFRE.*
*** *Excluding Senior Director.*

An analysis of compensation shows no significant pay differences between men and women. Any differences observed are attributable to seniority in a small workforce or to specific jobs.

Total payroll for 2019 was €13.95 million (€14.12 million in 2018; €14.13 million in 2017).

## Work organization

### Organization of working time

The Company collective labor agreement in effect in the Company's sites located in France call for a reduction in the work week of non-managers to 37 hours, 40 minutes and a reduction of nine working days per year; for managers, the annual workload is a fixed 215 days. In 2003, a corporate agreement on flexible time for non-managers completed this structure.

An agreement was signed in December 2003, supplementing the Company agreement and appended to the collective agreement for the pharmaceutical industry, which it was more favorable than, relating to the treatment of overtime and exceptional overtime during nights, weekends and statutory holidays for non-manager employees.

The Company opened negotiations on several subjects related to work organization in 2017 and 2018:

- signature on May 4, 2017 of Amendment no. 2 to the Company Agreement on the reduction and organization of working time of June 21, 2001, applicable to employees working on a fixed working day basis:
  - implementation of work organization monitoring with a computerized self-declaration report on rest time, filled in on a monthly basis by employees with fixed working days and validated by the N+1 manager and HR in the event of anomalies,
  - implementation of measures to reduce anomalies (non-compliance with rest times): remote work, recovery days, lighter workloads, etc.,
  - reminder of the rules on compliance with rest times (11 hours per day and 35 hours per week),
  - workload and work-life balance monitoring interview;
- signature on March 30, 2017 of the agreement on the Right to Disconnect, adopting the following measures:
  - Code of best practices for the use of digital tools,
  - default configuration of electronic mail,
  - internal communication/awareness raising actions on work-life balance,
  - updating of the fixed working day interview to deal with the question of the use of digital technologies,
  - review of the single document and assessment of professional risks;
- signature on November 30, 2017 of the Travel Agreement, setting the compensatory time off for employees traveling outside of working hours:
  - definitions of compensatory time, counted by the hour or by the day of their work time, as different if the travel occurs on what is normally a work day and the same if the travel occurs on what is normally not a work day,
  - working at home possible on an exceptional basis the day after returning from a long trip for managers working on the basis of a fixed number of work days,
  - shorter working day(s) if the compensatory time per day is not applied;
- signature on September 13, 2018, of the agreement on Obligations relating to Animals on weekends and public holidays for the Illkirch site.

### Absenteeism

The absenteeism rate was 2.76% in 2019, compared to 2.21% in 2018 1.54% in 2017.

## Labor relations

### Organization of social dialog, including employee information and consultation procedures and negotiations with staff

Social dialog takes place in accordance with the French Labor Code, through the respective representative bodies, trade union delegation, Works Council and employee representatives based on the duties and tasks of each body. Due to the structure and size of the Company, it does not need to arrange specific procedures to inform, consult or negotiate with employees. Videoconferencing and teleconferencing equipment are available to employee representatives based in Lyon for active participation in meetings of bodies held at the registered office.

A new body called the Social and Economic Committee (CSE) which replaced the Works Council, the employee representatives and the CHSCT (Committee for Hygiene, Safety, and Working Conditions), was elected in February 2018. In its rules, the CSE created three commissions with different responsibilities: the Committee for Health, Safety and Working Conditions (CSSCT), the Commission for Gender Equality in the Training Commission.

The economic and social database was finalized in 2016 and all data provided to personnel representatives is now centralized and accessible on the Company's intranet. It operates based on the schedule of deadlines defined by the parties.

### Collective bargaining agreements

The Company undertook a number of discussions with the social partners, resulting in the signature of six agreements in 2019, one in 2018 and four in 2017:

- amendment no. 2 to the Company Agreement on the reduction and organization of working time of June 21, 2001, signed on May 4, 2017;
- agreement on the right to disconnect signed on March 30, 2017;
- agreement on professional travel signed on November 30, 2017, setting rest compensation for employees traveling outside of working hours;
- Gender Equality agreement signed on March 8, 2017;
- agreement on Obligations relating to Animals on weekends and public holidays signed on September 13, 2018;
- agreement establishing a pilot program of remote work for an experimental period of six months, signed June 10, 2019;
- amendment to the agreement establishing a pilot program of remote work to extend the pilot phase for six more months, signed December 16, 2019;
- agreement on professional gender equality and quality of life in the workplace, signed on December 16, 2019;
- agreement concerning career interviews, signed December 16, 2019;
- agreement concerning the "healthcare costs" collective guarantees, signed December 16, 2019.

The Works Council also issued a favorable opinion on the policy for welcoming young people into the Company, skills transmission and support for retirement departures, presented during the meeting of July 4, 2017.

## Health and safety

### Health and safety conditions in the workplace

The Company's policy regarding the safety and protection of individuals has the following main objectives:

- to ensure the safety of those who work at the Company; and
- to ensure the protection of the Company's tangible and intangible assets.

The laboratories are designed and equipped both to protect the experiments being conducted from any outside contamination and to protect the employees as they do their work from accidental exposure to potentially hazardous products.

The Company's operations are subject to pharmaceutical standards (Laboratory and Clinical Best Practices) and to the provisions of the French Environmental Code that refer to the confined use of genetically modified organisms. In this regard, it is subject to administrative authority approval, given upon recommendation of the French High Council for Biotechnologies, for its viral vector constructions. Authorization includes the classification of these constructs and the confinement conditions for their handling. The Company's investments in the quality of its products have a safety and protection dimension, but are not necessarily recorded as specific costs related to this issue.

In its facilities, the Company applies high standards to its equipment and operations and is also committed to training its staff in the different safety requirements of their work station.

The Company has a Health, Safety and Environment Officer to oversee workplace safety and prevention.

The Health, Safety and Working Conditions Committee, which is now known as the Health, Safety and Working Conditions Commission, operates within the Company pursuant to the regulations in force.

### Review of agreements signed with trade unions or staff representatives on health and workplace safety

The Health, Safety and Working Conditions Commission (CSSCT) holds its ordinary meetings at least four times a year. It makes periodic visits to the sites and facilities, and may choose to hold extraordinary meetings following a serious accident or incident, or in the case of specific relocations, or new organizational measures that impact on employee health and safety. The procedures for serious and imminent danger were not called upon in 2019, or in 2018 and 2017. Two analyses were carried out in 2019 (none in 2018 and two in 2017) following a workplace accident and an incident.

## WORKPLACE ACCIDENTS, FREQUENCY AND SEVERITY; OCCUPATIONAL DISEASES

| Number of accidents (including onsite aid in the infirmary) | 2017 | 2018 | 2019 |
|---|---|---|---|
| Total Company accidents resulting in an entry in the infirmary logs or a report | 15 | 18 | 13 |
| Number of accidents reported | 5 | 9 | 3 |
| ▪ of which, commuting accidents (home-workplace) | 3 | 2 | 1 |
| ▪ workplace accidents | 1 | 5 | 2 |
| ▪ travel accidents (away from the workplace) | 1 | 2 | 0 |
| Number of accidents with work stoppage | - | 1 | 0 |
| Number of travel accidents with work stoppage | 1 | 1 | 0 |
| Frequency rate (1) | 0.00 | 4.051 | 0.00 |
| Severity rate (2) | 0.000 | 0.024 | 0.000 |

*(1) Number of workplace accidents with stoppage (excluding during travel) multiplied by 1,000,000 and divided by the number of hours worked.*
*(2) Number of days lost due to temporary disability (excluding during travel) multiplied by 1,000 and divided by the number of hours worked.*

No occupational illnesses were recognized in 2019 (as in 2018 and 2017). The employer did not file any reports indicating any processes that could cause occupational illnesses in 2019 or in 2018 and 2017.

### Training

#### Training policies implemented

Employees enter the Company with a high level of prior training. Over 60% of them have an educational level of five or more years of post-secondary education. The continued training of employees in technology-based knowledge and skills of the highest level is necessary to maintain the Company's competitiveness. To preserve and develop this human capital, the Company devotes considerable effort to continuing training (4.63% of payroll in 2018, 6.20% in 2017 – data not yet available for 2019) and to the development of knowledge and know-how, primarily through a policy of sending people to leading, internationally recognized conferences and seminars and through numerous collaborations within the scientific community, and an extensive and constantly updated document base.

In 2019, the Company also pursued a policy to secure its skills via skills transmission through the internal training program set up in 2018 and 2017. Nineteen employees were trained and certified as trainers to enable them to provide training modules in-house in technical and scientific fields. 321.5 hours of training were provided in-house in 2018 for a total of 94 employees.

The Company also pays special attention to safeguarding its competencies through the transmission of knowledge, such as through hosting work-study programs, offering internships and offering in-house training.

#### Total number of hours of training

2,378 hours were dedicated to occupational training in 2019 (2,973 in 2018 and 4,602 in 2017). 67% of employees took at least one training course in 2019 (76% in 2018 and 94% in 2017).

### Non-discrimination

#### Measures taken to promote equality between men and women

Transgene signed an agreement on professional gender equality on March 8, 2017. The parties looked at the Company's data in light of the national and industry data, which partly explain the difference between Men – Women in the workforce for the sector, which can also be found in biology training courses:

- "Despite a trend towards a better balance observable since the middle of the 1990s, there is still a very unequal breakdown of men and women in different jobs. Only 17% of activities, representing 16% of jobs can be considered as mixed, as they are occupied by at least 40% of each gender…";
- "However, girls are overrepresented in training leading to paramedical and social careers (83.5%), in human science university courses (70.1%) and in medical courses (63%)…". This overrepresentation of women in certain careers supports the situation noted at Transgene and partly explains the breakdown of personnel (32% Men/68% Women);
- the average age of employees in the pharmaceutical industry was 43 in 2014, and this is also the case at Transgene. 57% of sector personnel are women (68% at Transgene);
- one out of two employees in the pharmaceutical industry is a manager or equivalent (three out of four in R&D). The salary difference in the pharmaceutical branch is 4% on average between men and women; there is no such difference at Transgene.

Situation noted at Transgene:

- while Transgene employs a high number women, nothing stands out in the data since 2017 to indicate inequality between men and women; Any differences observed are attributable to seniority/initial training in a small workforce;
- the Company's workforce is more female than male across most employment categories and classifications; however, the opposite is true for the Executive Committee;
- the Board of Directors complies with legislation concerning the number of women on Boards as of the General Shareholders' Meeting on June 8, 2017. Two new women directors were appointed;
- Since a number of years, Transgene has taken proactive steps to protect the balance between family life and professional life (for example: an inter-Company daycare center).

Since it was founded, the Company has striven to adopt numerous measures that help balance its employees' work and private lives:

- part-time work by choice involved 30 people in 2019—one male manager, 21 female managers and 8 female non-managers;
- maternity and paternity leave at full pay;
- the granting of two paid half-hours per day for breast-feeding up to six months after maternity leave;
- funding five spots in the neighboring daycare center (annual cost: €67,992 in 2019, €66,884 in 2018 and €66,187 in 2017).

The agreement on professional gender equality was signed on March 8, 2017. It defines four main action focuses:

- professional promotion: promote access for women to responsibilities, raise awareness and inform about the issue of professional gender equality, and more widely on social mixing and diversity (age, gender, disability...). Lastly, a measure to monitor equal opportunities between men and women in the professional promotion process;
- training: develop access to professional training for employees, taking into account the family constraints of employees registered for a training course;
- effective compensation: ensure wage equality between men and women throughout their careers;
- the balance between professional activity and family responsibility: search for ways of organizing working time, to find a better balance between professional activity and family obligations.

Regarding the analysis of the compared situations of women and men at the end of 2018, the parties recognized that the situation in terms of occupational equality was largely satisfactory and signed a new agreement on December 16, 2019 to continue the actions already taken and implement new ones dealing with job promotion, effective compensation and the coordination of work and family responsibilities:

- job promotion: foster equal opportunity in terms of inclusion in company career paths (expertise and management);
- effective compensation: provide catch-up pay for the same degree of authority, responsibility, competency, work experience and performance;
- coordination of work, personal life and family responsibility: authorize two hours' absence for parents when their children start school each year (up until 8th grade);

In addition, the Committee on Professional Equality was involved in choosing the approach to categorizing the eligible workforce for calculating the first Professional Equality Index (by classification rather than socio-professional grouping).

Transgene's overall score on the Professional Equality Index for 2019 was 90 out of 100.

### Measures taken to promote employment and integration of disabled workers

Transgene has been committed to the issue of integrating and retaining disabled workers in employment for several years now. The Company benefits from measures defined in the pharmaceutical companies collective agreement (Leem) of September 25, 2008, to promote the employment and retention in employment of people with disabilities, as amended by the Protocols of September 24, 2009 and November 21, 2019, and support from the branch organization, HandiEM, for the deployment of its disability policy. Within this framework, it has appointed a disability correspondent, to be a relay for HandiEM and a pilot for Transgene's disability policy.

To encourage the hiring of disabled workers, the Company's application management software displays its non-discrimination policy and allows disabled workers to identify themselves. Their applications can be prioritized accordingly.

The Company forged ahead with communications efforts to combat stereotypes on disabilities:

- it continued to arrange in-house consultations for all employees on health matters, on how companies accommodate illness and disabilities in the workplace and support for the recognition of disabilities. This ongoing effort, provided by a company called Hanvolution, makes it possible for any employee who so desires to broach freely and in confidence all questions about health at work. This consultation resulted in classifying five individuals in 2017/2018 as Recognized Disabled Workers (French acronym RQTH);

- Transgene has also continued its communication efforts by organizing its seventh consecutive annual disability day in November 2019, to raise awareness and counter prejudice, as part of the Disability Employment Week *(Semaine pour l'Emploi des Personnes Handicapées)*. This awareness campaign took place in the form of a workshop by Café Signes (an employer of the hearing impaired) on auditory disability and learning the rudiments of sign language.

Since 2015, the Company has been exempt from paying the Agefiph contribution (paid to HANDI'EM in the pharmaceutical sector). It employed 5 RQTH-declared people in 2019 (5 employees in 2018, 9 including 3 under reclassification in 2017). The Company also used several social-support-through-work centers for various services (Handirect, ESAT ESSOR, AVS, ESAT La Ganzau, etc.).

### Policy against discrimination

The Company has implemented HR processes enabling non-discriminatory and objective practices:

- Recruitment:

– the Company uses application management software, on which it displays its non-discrimination policy,

– service providers with which Transgene works commit to non-discrimination through clauses in their contracts,

– applications are assessed on the basis of applicant skills and transmitted to N+1 managers according to a pre-established specification of skills and experience,

– applicants are received for interviews by HR on N+1 if not N+2 and by the team in question;

- Employment/promotions:

– all measures implemented the HR development policy to make practices more objective: defined criteria, personnel files specifying practiced or observed skills, professional development committee and validation by an *ad hoc* commission,

– in accordance with the Gender Equality agreement, the Professional Development Commission is an interdisciplinary structure with gender parity;

- Access to professional training:

– the Training Commission has access to all data about trained personnel (gender, status, classification) and has not identified any discriminatory practices.

## Promotion and enforcement of the provisions of the fundamental conventions of the International Labour Organization

### Respect for freedom of association and the right to collective bargaining

The Company declares that it strictly upholds the freedom of association of employees. The right to collective bargaining is exercised in its institutions within the framework defined by the French Labor Code.

### Elimination of discrimination in respect of employment and occupation

See above, Non-discrimination.

### Elimination of forced or compulsory labor

The Company has no operations in countries where such practices occur.

### Effective abolition of child labor

The Company has no operations in countries where such practices occur.

# 3.3 ENVIRONMENTAL INFORMATION

## 3.3.1 Environment

The drug candidates designed and developed by Transgene result from biological sciences (specifically, molecular and cellular biology) and use biotechnology processes (cell culture, purification processes, etc.) to enable a transition from laboratory work to the production of quantities of products controlled and approved for human clinical trials.

The processes to realize these products are extremely complex and require materials that present potential risks to individuals and the environment in the case of accidental exposure. These processes occur within several levels of containment.

Thus, for example, the research laboratories are designed and equipped both to protect the product during its development from any outside contamination and to protect the employees as they do their work from accidental exposure to potentially hazardous products.

## 3.3.2 Environmental responsibility

### 3.3.2.1 General policy in environmental matters

#### Organization of the Company to take into account environmental issues and, where appropriate, approaches to environmental evaluation and certification

The Company believes that its research has very little impact on the environment, since operations relating to this activity take place in a confined environment.

At this stage, the Company has not taken any steps to obtain environmental certification.

The impact of this activity on the environment is controlled in two ways:

- by strictly applying pharmaceutical quality standards that permit monitoring and tracking at all stages of the activity (air testing and treatment, quality of materials used, controlled flow of materials and personnel, etc.); and
- by observing the environmental regulations in force with respect to aspects not directly imposed by those standards (classification of research in terms of the regulations on genetically modified organisms, confinement of operations, effluent and waste handling and treatment, etc.).

#### Training and information for employees regarding environmental protection

The Company has not taken special measures to train and inform employees concerning environmental protection.

#### Resources devoted to the prevention of environmental risks and pollution

The Company has a Health, Safety and Environmental Officer. In addition, research takes place in a confined environment and related resources and equipment (air treatment filters, microbiological safety cabinets, autoclaves, etc.) help prevent environmental risks.

#### Provisions and guarantees for environmental risks

The Company has made no provisions or guarantees of this kind.

### 3.3.2.2 Pollution and waste management

#### Prevention, reduction and repair measures for air, water and soil discharges that seriously affect the environment

The Company's research and development activity is conducted in a confined environment. This confinement is obtained through several levels of air treatment and controls including microbiological safety cabinets, air depressurization to prevent its exit, absolute filters on ventilation ducts, etc. Effluents from some areas are collected and subjected to heat treatment for decontamination before release into the sewage system.

#### Prevention, recycling and waste disposal measures

The Company's activity generates various types of waste that require sorting for special treatment. The Company has entered into agreements with qualified service providers for removal and treatment in accordance with the standards and rules that govern these various categories.

In addition, the Company conducts separate sorting and removal of non-hazardous waste and special waste requiring special precautions.

#### Consideration of noise and other forms of pollution specific to an activity

Neither the activity nor the facilities of the Company generate noise pollution.

## 3.3.2.3 Sustainable use of resources

The Company relaunched its onsite production of small clinical batches, which has been ramping up since 2018. This new activity and the work to commission and test the new production unit as well as the added workforce, has led to an increase in resource consumption since 2018.

### Water use and water supply according to local restrictions

The Company's activities involve the use of water. This use is directly related to changes in R&D projects and does not trigger relevant indicators. The water used comes from the urban network; there are no specific supply constraints in the Grand Est Région.

#### WATER *(M³)*

| Year | Volume | Change |
|---|---|---|
| 2017 | 3,229 | |
| 2018 | 3,344 | + 4% |
| 2019 | 4,221 | + 26% |

### Energy consumption, measures to improve energy efficiency and use of renewable energy

The equipment in the research laboratories and the facilities for producing clinical batches run exclusively on electricity. There is a very strict equipment maintenance plan to ensure optimal energy consumption.

The laboratory and office building use heat pumps for heating and cooling and electricity for steam production.

The Company decided to source 50% of its electricity from renewable energy sources.

#### ELECTRICITY *(KWH)*

| Year | Total | Change |
|---|---|---|
| 2017 | 2,899,306 | |
| 2018 | 3,346,907 | +15% |
| 2019 | 3,740,072 | +12% |

### Consumption of raw materials and measures to improve efficiency of their use

The Company does not directly consume raw materials.

### Climate change

#### Greenhouse gas emissions

Conversion of the above energy consumption figures into CO2 emission equivalents by applying the International Energy Agency's conversion factors, gives:

- 224 metric tons of CO2 equivalent (IEA factors of 0.06 as of December 31, 2015) for electricity consumption.

#### Greenhouse gas emissions in the value chain

The Company estimates that the direct or indirect generation of greenhouse gases from its activity is limited. Emissions mainly come from: business travel, commuting to and from work, sending our research or clinical samples, and delivery of research materials and consumables.

#### Adaptation to the impacts of climate change

The Company has no activity requiring special measures to adapt to climate change impacts.

## 3.3.2.4 Protection of biodiversity

### Measures to preserve or enhance biodiversity

Neither the activities nor the facilities of the Company have an impact on biodiversity.

# 3.4 SOCIETAL INFORMATION: SOCIETAL COMMITMENTS TO PROMOTE SUSTAINABLE DEVELOPMENT

## 3.4.1 Local, economic and social impact of the Company

### In employment and regional development

Since its inception in 1979, the Company has located most of its activities in Strasbourg and in the suburbs of that city. As the French pioneer in genetic engineering, it has a strong local attraction, and provides professional opportunities for scientists, researchers and technicians in the life sciences.

### Local or neighboring populations

The principal office of the Company is located in an area dedicated to scientific and technical activities, the Parc d'Innovation in Illkirch-Graffenstaden. There are therefore no immediate neighboring populations that its business could impact.

## 3.4.2 Relationships with persons or organizations who have an interest in the Company's activities

### Conditions for dialog with such persons or organizations

The Company is active locally, albeit on an informal basis and through some of its employees, with various associations such as Biovalley France, an association for the development of activities related to life sciences in the Grand Est Région, and Strasbourg Sud Développement, which conducts actions to promote employment in this sector.

### Partnerships or sponsorships

As part of the measures negotiated in the 2015 Majority Agreement, in 2018 Transgene signed a job creation agreement with the Prefect of the Bas-Rhin department.

Transgene decided to help revive business and create jobs by actively and financially supporting four associations:

- BioValley France: Grand Est Region cluster providing financial assistance for innovative projects, managed by Healthcare companies, for Healthcare companies. Transgene sponsored the 2019 Hacking Health Camp (March 22-24, 2019). In this respect, the Company awarded a prize to recognize an innovative project seeking to solve a healthcare issue. The award went to Sim&Care, a spinal tap simulator developed by InSimo in collaboration with the University Hospital Center of Strasbourg Hautepierre. The project targets healthcare professionals and aims to improve training in performing spinal taps through virtual simulation;
- SEMIA: As the Region's incubator, SEMIA helps start-ups at every stage of the business-creation process through coaching, training courses, a strong community of entrepreneurs and inspirational facilities. Transgene is the sponsor for the 2019/2020 period;
- Citéslab: Citéslab's objective is to foster an entrepreneurial mind-set in critical neighborhoods in the Eurométropole (the Strasbourg metropolitan area), identify potential entrepreneurs, help them plan their project and guide them towards support networks;

- Strasbourg Employment Center: Transgene particularly supports the launch of an activity platform for this employment center in the Neuhof neighborhood of Strasbourg. This platform's objective is to address businesses' one-off and short-term needs by hiring long-term job seekers.

## 3.4.3 Subcontractors and suppliers

### Consideration of social and environmental issues in the procurement policy

The Company has established a Code of ethics that all suppliers must adhere to.

### Importance of subcontracting and consideration in relations with suppliers and subcontractors of their social and environmental responsibility

The Company makes significant use of the services of companies specializing in the conduct of clinical trials and related services, known as CROs (Contract Research Organizations) for most of its clinical trials. The Department of Medical and Regulatory Affairs oversees that these subcontractors perform the services properly. Control management ensures that subcontractors are within budget and the Quality Assurance Department checks for quality.

These providers operate within a strictly regulated framework that aims to ensure the quality of the clinical trials conducted and are audited by the Company's Quality Assurance group.

The Company also uses subcontracting for the manufacturing of certain of its batches of drug candidates used for clinical trials. ABL Europe, the subcontractor, belongs to the Institut Mérieux, as does the Company. It operates in the Company's old manufacturing premises and has hired former Transgene employees. The Responsible Pharmacist, who is the Director of Quality Assurance, closely oversees the services provided by this subcontractor.

Compliance of subcontractors working for and/or in the Company in relation to their social obligations to personnel involved in the Company is part of their specifications.

## 3.4.4 Fair commercial practices

### Actions taken to prevent corruption

The Company has implemented the Sapin 2 law against corruption. Among other measures, the Company applies an anti-corruption code, a code of conduct and a whistleblowing system. Employees have undergone special training; terms of employment contracts have been adapted; risks have been mapped, and accounting controls are applied.

### Measures for consumer health and safety

The Company has no products on the market. Products in clinical development, or in research, are intended for the treatment of patients with cancer or chronic infectious diseases; they are the subject of clinical trials that fall within a strict regulatory framework whose purpose is to ensure the efficacy of therapeutic products. For the Company's products to be marketed, they must receive an authorization to market issued by the health authorities of the various countries in which they will be distributed.

### Other actions undertaken in this part 3 to promote Human Rights

The clinical trials being conducted for the Company's drug candidates are conducted in strict compliance with the informed consent of the persons participating in biological research trials.

### Commitments to promote the circular economy and the fight against food waste

Given the immaterial impact of its activities in this area, the Company does not have a specific commitment to promote the circular economy and the fight against food waste.

# 4

# ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2019



# 4.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

## 4.1.1 Consolidated financial statements

### Consolidated balance sheet, IFRS

#### ASSETS

| *(in € thousands)* | *Notes* | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | *3* | 1,343 | 1,885 |
| Other current financial assets | *3* | 42,028 | 15,015 |
| **Cash, cash equivalents and other current financial assets** | ***3*** | **43,371** | **16,900** |
| Trade receivables | *4* | 2,324 | 784 |
| Other current assets | *5* | 3,943 | 12,070 |
| **Total current assets** | | **49,638** | **29,754** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *2.6* | 13,283 | 13,321 |
| Intangible assets | *7* | 147 | 180 |
| Non-current financial assets | *8* | 42,931 | 45,158 |
| Investments in associates | *8* | - | - |
| Other non-current assets | *9* | 9,478 | 20,234 |
| **Total non-current assets** | | **65,839** | **78,893** |
| **TOTAL ASSETS** | | **115,477** | **108,647** |

## LIABILITIES AND EQUITY

| *(in € thousands)* | *Notes* | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | | 7,092 | 4,791 |
| Current financial liabilities | *10* | 2,037 | 11,313 |
| Provisions for risks | *11* | 898 | 76 |
| Other current liabilities | *12* | 8,619 | 3,463 |
| **Total current liabilities** | | **18,646** | **19,643** |
| **NON-CURRENT LIABILITIES** | | | |
| Non-current financial liabilities | *10* | 26,703 | 48,369 |
| Employee benefits | *13* | 4,427 | 3,778 |
| Other non-current liabilities | | 4 | 158 |
| **Total non-current liabilities** | | **31,134** | **52,305** |
| **Total liabilities** | | **49,780** | **71,948** |
| **EQUITY** | | | |
| Share capital | *14* | 83,265 | 62,276 |
| Share premiums and reserves | | 39,738 | 512,581 |
| Retained earnings | | (37,444) | (545,473) |
| Profit/(loss) for the period | | (18,804) | 8,029 |
| Other comprehensive income/(loss) | | (1,058) | (714) |
| **Total equity attributable to Company shareholders** | | **65,697** | **36,699** |
| **TOTAL EQUITY AND LIABILITIES** | | **115,477** | **108,647** |

## CONSOLIDATED INCOME STATEMENT, IFRS

| *(in € thousands, except for per-share data)* | *Notes* | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| Revenue from collaborative and licensing agreements | *15* | 6,652 | 1,335 |
| Public funding for research expenses | *15* | 6,644 | 5,749 |
| Other income | *15* | 437 | 35,835 |
| **Operating income** | | **13,733** | **42,919** |
| Research and development expenses | *16* | (31,385) | (27,342) |
| General and administrative expenses | *16* | (7,134) | (6,991) |
| Other expenses | *16* | (668) | (1,211) |
| **Operating expenses** | | **(39,187)** | **(35,544)** |
| **Operating income/(loss)** | | **(25,454)** | **7,375** |
| Net finance cost | *17* | 6,650 | (2,021) |
| Share of profit/(loss) and disposal of investments in associates | *8* | - | 2,675 |
| **Income tax expense** | | **(18,804)** | **8,029** |
| Income tax expense | *18* | - | - |
| **NET INCOME/(LOSS)** | | **(18,804)** | **8,029** |
| Basic earnings per share | *14* | (0.23) | 0.13 |
| Diluted earnings per share | *14* | (0.23) | 0.13 |

## OTHER COMPONENTS OF COMPREHENSIVE INCOME, IFRS

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **Net income/(loss)** | **(18,804)** | **8,029** |
| Foreign exchange gains/(losses) | 1 | 1 |
| Revaluation of hedging instruments | 75 | 85 |
| **Other elements of comprehensive income/(loss) subsequently restated as income** | **76** | **86** |
| Actuarial gains/losses on employee benefit provision | (420) | (54) |
| **Other elements of comprehensive income/(loss) subsequently non-recyclable as income, net of deferred taxes** | **(420)** | **(54)** |
| **Other comprehensive income/(loss)** | **(344)** | **32** |
| **NET COMPREHENSIVE INCOME/(LOSS)** | **(19,148)** | **8,058** |
| Of which, attributable to parent company | (19,148) | 8,058 |
| Of which, non-controlling interests | - | - |

## CASH FLOW STATEMENT, IFRS

| *(in € thousands)* | *Notes* | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Net income/(loss) | | (18,804) | 8,029 |
| Cancellation of financial income | | (6,650) | 2,021 |
| **Elimination of non-cash items** | | | |
| Income of associates | | - | (2,675) |
| Provisions | | 993 | (333) |
| Depreciation and amortization | *6, 7, 8* | 770 | 2,043 |
| Share-based payments | *16* | 1,351 | 467 |
| Other | | 1,066 | (35,590) |
| **Net cash generated from/(used in) operating activities before change in working capital and other operating cash flow** | | **21,274** | **(26,038)** |
| **CHANGE IN OPERATING WORKING CAPITAL REQUIREMENTS** | | | |
| Current receivables and prepaid expenses | *23* | (1,269) | 2,268 |
| Inventories and work in progress | | 443 | (173) |
| Research tax credit (RTC)/CICE | *15* | (6,619) | (5,899) |
| Other current assets | *3* | (962) | (23) |
| Trade payables | *23* | 2,270 | 2,031 |
| Prepaid income | *12* | 4,461 | (368) |
| Other current liabilities | *12* | 537 | 138 |
| **Net cash used in operating activities** | | **(22,413)** | **(28,064)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| (Acquisitions)/disposals of property, plant and equipment | *6* | (1,688) | (1,359) |
| (Acquisitions)/disposals of intangible assets | *7* | (43) | (45) |
| Other (acquisitions)/disposals | *8* | 1,200 | 6 |
| **Net cash used in investing activities** | | **(531)** | **(1,398)** |
| Cash flows from financing activities | | | |
| Net financial income/(loss) proceeds | *17* | (980) | (79) |
| Gross proceeds from the issuance of shares | *14* | 48,710 | - |
| Share issue costs | | (1,763) | - |
| Conditional subsidies | *15* | 237 | 30 |
| (Acquisitions)/disposal of other financial assets | *3* | (26,904) | 24,790 |
| Net amounts received for financing of tax credits | *10* | 6,706 | 5,666 |
| Bank borrowing | *10* | (2,371) | - |
| Financial leases and change in lease obligations | *10* | (1,234) | (704) |
| **Net cash generated from/(used in) financing activities** | | **22,401** | **29,703** |
| Exchange rate differences on cash and cash equivalents | | 1 | 1 |
| **Net increase/(decrease) in cash and cash equivalents** | | **(542)** | **242** |
| Cash and cash equivalents at beginning of period | | 1,885 | 1,643 |
| **Cash and cash equivalents at end of period** | | **1,343** | **1,885** |
| Investments in other current financial assets | | 42,028 | 15,015 |
| **CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS** | | **43,371** | **16,900** |

## STATEMENT OF CHANGES IN EQUITY, IFRS

| *(in € thousands)* | Common shares | | Share premiums | Reserves | Retained earnings | Other comprehensive income/-(loss) | Net income (loss) | Total attributable to shareholders' business activity |
|---|---|---|---|---|---|---|---|---|
| | Number of shares | Share capital | | | | | | |
| **As of December 31, 2017** | **62,075,190** | **62,075** | **511,783** | **444** | **(513,197)** | **(746)** | **(32,276)** | **28,084** |
| Increase of share capital | - | - | - | - | - | - | - | - |
| Share-based payments | 200,733 | 201 | 251 | 15 | - | - | - | 467 |
| Liquidity contract | - | - | - | 87 | - | - | - | 87 |
| Allocation of net income/(loss) 2017 | - | - | - | - | (32,276) | - | 32,276 | - |
| 2018 net income/(loss) | - | - | - | - | - | | 8,029 | 8,029 |
| Fair value gains on available-for-sale financial assets | - | - | - | - | - | 1 | - | 1 |
| Actuarial gains/losses on employee benefit provision | - | - | - | - | - | (54) | - | (54) |
| Interest rate swap | - | - | - | - | - | 85 | - | 85 |
| Net comprehensive income/(loss) | - | - | - | - | - | 32 | 8,029 | 8,061 |
| **As of December 31, 2018** | **62,275,923** | **62,276** | **512,035** | **546** | **(545,473)** | **(714)** | **8,029** | **36,699** |
| Share-based payments | 173,175 | 173 | (453) | 1,631 | - | - | - | 1,351 |
| Increase of share capital | 20,816,366 | 20,816 | 26,130 | - | - | - | - | 46,947 |
| Allocation of share premium | - | - | (500,000) | - | 500,000 | - | - | - |
| Liquidity contract | - | - | - | (151) | - | - | - | (151) |
| Allocation of net income/(loss) 2018 | - | - | - | - | 8,029 | | (8,029) | - |
| 2019 income/(loss) | - | - | - | - | - | | (18,804) | (18,804) |
| Fair value gains on available-for-sale financial assets | - | - | - | - | - | 1 | - | 1 |
| Actuarial gains/losses on employee benefit provision | - | - | - | - | - | (420) | - | (420) |
| Interest rate swap | - | - | - | - | - | 75 | - | 75 |
| Net comprehensive income/(loss) | - | - | - | - | - | (344) | (18,804) | (19,149) |
| **AS OF DECEMBER 31, 2019** | **83,265,464** | **83,265** | **37,712** | **2,026** | **(37,444)** | **(1,058)** | **(18,804)** | **65,697** |

# 4.1.2 Notes to the consolidated financial statements

*(in thousands of euros, unless otherwise indicated)*

## Foreword

The consolidated financial statements of Transgene (the "Company") at December 31, 2019 were prepared in accordance with the principles and methods defined by IFRS (International Financial Reporting Standard) as adopted by the European Union. They were approved by the Board of Directors on March 11, 2020.

Transgene is a biotechnology company that designs and develops immunotherapy products target against cancers.

Transgene is fully consolidated in Compagnie Mérieux Alliance (17 rue Bourgelat, 69002 Lyon, France).

The consolidated 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 accounting principles used to prepare the consolidated financial statements are in accordance with IFRS standards and interpretations as adopted by the European union as of December 31, 2019 and are available on the website http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission

### NEW STANDARDS/AMENDMENTS APPLICABLE FOR FISCAL YEARS STARTING ON OR AFTER JANUARY 1, 2019 IN EUROPE

| Standard/Interpretation | Date of application per IASB (periods beginning on or after) | Date of expected European Union application (at the latest for the fiscal years beginning) |
|---|---|---|
| IFRS 16 Leases | 1/1/2019 | 1/1/2019 |
| IFRIC 23 Uncertainty over income tax treatments | 1/1/2019 | 1/1/2019 |
| Application of IFRS 9: Prepayment with negative compensation | 1/1/2019 | 1/1/2019 |
| Amendments to IAS 19: Amendment, curtailment and termination of plans | 1/1/2019 | 0/1/2019 |
| Amendments to IAS 28: Long-term interests in associated enterprises and joint ventures | 1/1/2019 | 1/1/2019 |

Transgene applied IFRS 16 retroactively. For purposes of this application, the Company:

- has conducted an exhaustive survey of the lease agreements with respect to the criteria for their identification according to IFRS 16;
- has chosen to apply the exemptions for low-value assets and short-term leases;
- has estimated the reasonably certain term of its lease contracts, which corresponds to the non-cancellable period of each contract;
- has used the "practical expedient" of excluding contracts with a term of less than one (1) year.

The impact of applying this standard is detailed in Note 2.

The application of IFRIC 23 "Uncertainty over Income Tax Treatments" had no effect on the Company.

### OTHER STANDARDS/AMENDMENTS PUBLISHED AT DECEMBER 31, 2019

| Standard/Interpretation | Date of application per IASB (periods beginning on or after) | Date of EU application (no later than periods beginning on or after) |
|---|---|---|
| Amendments to IAS 1 and 8: Materiality threshold | 1/1/2020 | 1/1/2020 |
| Amendments to IFRS 7 and 9 and IAS 39 | 1/1/2020 | 1/1/2020 |
| Amendments to IFRS 3: Definition of an activity | 1/1/2020 | 1/1/2020 |
| Changes to references to Conceptual Framework in IFRS | 1/1/2020 | ND |

The Company does not expect the application of these standards to have a significant impact.

## Basis of preparation of financial statements

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

Taking into account the capital increase completed in July 2019, the ability to sell the shares in Tasly Biopharmaceuticals by 2022 and the availability of the Natixis credit line for 20 million of euros until June 2022, the Company has financial visibility until 2022. The going concern principle was adopted.

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:

- valuation of the ElsaLys Biotech SA non-consolidated equity securities, without significant influence (Note 8);
- valuation of the Tasly BioPharmaceuticals non-consolidated equity securities, where there was no significant influence (see Note 8);
- earn-outs due by SillaJen (Note 9);
- repayable advances for the ADNA program (Note 10);
- the collaboration Agreement signed with AstraZeneca (Note 15).

In view of the Group's business, management considers that the fixed assets form part of a single cash-generating unit. At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. In the presence of such a presumption, or when annual impairment testing is required for an asset, the Company makes an estimate of the recoverable amount of the asset. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is determined on an individual basis unless the asset generates cash inflows that are largely dependent on other assets or groups of assets. An impairment is recognized when the asset's carrying amount is higher than its recoverable amount. Its carrying amount is then written down to its recoverable amount. The value in use corresponds to the estimated future cash flows, discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## Basis of consolidation

The consolidated financial statements include the financial statements of Transgene, Transgene, Inc. and Transgene BioPharmaceuticalsTechnology (Shanghai) Co. Ltd. ("Transgene Shanghai"), wholly owned subsidiaries whose headquarters are located respectively in Boston, Massachusetts (U.) and Shanghai (China). These companies are fully consolidated. Transgene Shanghai was liquidated in May 2019, without material impact on the consolidated financial statements.

Intragroup balances and transactions are eliminated in consolidation, together with intragroup profits included in the carrying amount of assets.

At December 31, 2019 ElsaLys Biotech SA (8.25% owned) was no longer consolidated by the equity method. According to the criteria of IAS 28, "Significant influence" by Transgene was no longer justified since the Company no longer had a member on the Board of Directors, does not participate in the policy-making process, enters into no significant transactions with ElsaLys Biotech SA and does not provide it any essential technical information. At December 31, 2019 the equity is therefore measured at fair value through profit and loss. This fair value is measured according to the market value of ElsaLys Biotech SA stock.

| Company | 2019 Percentage of ownership | 2019 Nature of control | 2018 Percentage of ownership | 2018 Nature of control |
|---|---|---|---|---|
| ElsaLys Biotech SA | 8.25% | - | 8.25% | Significant influence |

## Presentation of the consolidated income statement

The consolidated income statement is presented by function: research and development expenses and general and administrative expenses (see Notes 15 to 18).

## Account conversions of foreign subsidiaries

The currency used by the Company for the preparation of the consolidated financial statements is the euro.

The financial statements of Transgene, Inc. are prepared in U.S. dollars.

The financial statements of Transgene Shanghai are prepared in yuan.

The balance sheets of Transgene, Inc. and Transgene Shanghai have been converted into euros using the exchange rate at the balance sheet date and in the income statement using the exchange rate of the month of accounting. Differences arising from conversion are recognized in equity.

## Foreign currency transactions

Foreign currency transactions are converted into euros at the average exchange rate for the month preceding the transaction.

At the balance sheet date, foreign currency cash and cash equivalents, receivables and payables are converted into euros at the exchange rate on the balance sheet date. The resulting translation differences are recognized in the income statement.

Transgene did not use any currency hedging instruments in 2018 and 2019.

## Current assets

### Cash and cash equivalents

Transgene's cash reserves are invested mainly in low volatility and highly liquid, highly rated mutual funds (net asset value known daily). In all other cases, they are classified as available-for-sale financial assets and valued at their fair value under equity because these investments correspond either to bank accounts or to very short-term investments that do not present any risk of changes in value.

### Receivables

Receivables are recognized at amortized cost, which corresponds to their nominal value. All receivables are impaired when they are recorded, in the amount of losses expected at maturity.

### Other current financial assets

These are cash investments with the Institut Mérieux, the principal shareholder of Transgene, under a "Group" cash management agreement. Contractually, investments made by the Company as part of the centralized cash management are liquid within a maximum period of four business days and bear interest based on a rate equal to Euribor +0.25% when Institut Mérieux is in a net borrowing position at the Group level and to Euribor when Institut Mérieux is in a net surplus at the Group level.

### Other current assets

Prepaid expenses are measured at their nominal value, and the other current assets are initially recognized at cost and are subsequently measured at the lower of cost and net realizable value.

## Non-current assets

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, in accordance with the benchmark treatment under IAS 16.

Straight-line amortization is recognized based on the useful life of the asset by the Company, using the following periods:

| Type of asset | Period of depreciation |
|---|---|
| Buildings | 20-50 years |
| Fixtures and fittings | 10-20 years |
| Machinery and equipment (machinery and laboratory equipment) | 5-10 years |
| Office equipment and furniture | 5-10 years |
| IT equipment | 3-5 years |

Fixed asset elements and their residual value are accounted for in the depreciation if the value thereof is deemed significant.

Property, plant and equipment are tested for impairment whenever there is an indication that their recoverable amount may be less than their carrying amount.

In accordance with IAS 17, assets held by finance leases are capitalized and amortized over the life of the asset. The corresponding amortization expense is recognized in the income statement under depreciation and amortization expenses.

In 2019, the application of IFRS 16 replaced IAS 17. Finance lease contracts, as well as office and laboratory leases, are capitalized and amortized over the life of the asset. The corresponding amortization expense is recognized in the income statement under depreciation and amortization expenses.

## Intangible assets

Straight-line amortization is recognized based on the useful life of the asset by the Company, using the following periods:

| Type of intangible asset | Period of depreciation |
|---|---|
| Computer software and licenses | 1-5 years |
| Patents acquired | 5 years |

### Purchased intangible assets

Intangible assets consist of the acquisition costs of software and intellectual property licenses that are capitalized and amortized over their useful lives. The elements of intellectual property acquired are recognized as assets in accordance with IAS 38.

### Internally developed intangible assets

Research expenses are expensed in the income statement in the period in which they are incurred.

Development costs incurred for the development of pharmaceutical products are capitalized when the requirements of IAS 38 are met. Given the nature of its products, the Company believes that the six criteria set out in IAS 38 Intangible assets are deemed to be met only at the time of the filing of an application for market authorization. The development expenses capitalized will be appropriately amortized over their useful life. No Company product received a market authorization in 2019.

Patents and licenses acquired in connection with internal R&D projects are also recognized according to an identical principle. They are recognized as an expense during the research phase and are capitalized during the development phase when IAS 38 criteria are met.

## Financial assets

Financial assets consist of:

- deposits and guarantees for leased assets;
- sales of receivables to, or financing of receivables by, a financial institution;
- earn-outs due on the sale of equity securities;
- non-consolidated equity securities without significant influence.

The valuation of non-consolidated investments without significant influence is based on an analysis using the fair value method. This valuation is periodically reviewed at each balance sheet date. Any impact resulting from this periodic valuation is recognized in the income statement.

Earn-outs due on the sale of our interest in Jennerex, Inc. are valued at amortized cost and revalued each year based on expected changes in cash flow. Future cash flows are re-estimated and discounted each year-end based on the progress of the clinical program and estimated success rates for each clinical phase. The impact of this re-estimate is recognized in Net finance cost.

Other financial assets are recorded at cost and depreciated, as needed, if their carrying value exceeds their recoverable amount as estimated by the Company.

### Investments in associates

At December 31, 2019 the Company no longer had equity investments accounted by the equity method. At the end of 2018, these involved Transgene's 8.25% investment in ElsaLys Biotech SA.

### Deferred taxes

Transgene uses the balance sheet method for recognizing deferred taxes. Using this method, deferred taxes are calculated on the basis of the temporary differences between the tax values and the carrying amount of assets and liabilities presented in the balance sheet.

Deferred taxes are evaluated using the liability method, on the basis of the tax provisions and tax rates applied when these differences invert.

Deferred tax assets are recognized for all deductible temporary differences, as well as for unused tax loss carry-forwards, carryback credits and other tax credits when it is probable that sufficient taxable profit shall be available against which the unused tax losses or unused tax credits can be used. Their posting is limited to the amount of deferred tax liabilities.

Deferred tax liabilities are recognized for all taxable temporary.

The carrying amount of deferred tax assets is reviewed at each period end and reduced to the extent that it is no longer probable that a taxable profit will be available to allow the deferred tax asset to be used. To assess the likelihood that taxable income will be available, consideration was given to the history of the results of previous years, forecasts of future results, non-recurring items not likely to recur in the future and the entity's fiscal policy. As a result, assessing the probability that unused tax losses or tax credits can be used involves a degree of judgment on the part of management.

Deferred taxes on items recognized directly in equity are also recorded in equity without affecting the income statement.

## Current liabilities

### Provisions for risks and charges

Provisions are recorded to cover contingencies and charges arising in the course of our business.

## Non-current liabilities

### Conditional advances

Conditional advances are only reimbursed if the research and development projects that they finance are successful, according to criteria set out in advance with the funding body. They are recognized under long-term financial debt in accordance with IAS 20.

Reimbursable advances received as part of the ADNA program are recorded according to IRFS 9, based on discounted expected future reimbursements. The reimbursement of advances is subject to the fulfillment of a revenue threshold on TG4010 and TG4001 products predetermined for the following five years, and in proportion to the revenue from these products until a reimbursement ceiling is reached, or up until 2035. The application of IFRS 9 had no impact on the measurement of conditional advances.

The Company regularly evaluates direct and indirect revenue linked to each of the products to estimate future cash flows from the reimbursement of advances. This revenue is evaluated based on business plans that have been discounted for these two products and by a applying a comparable rate for this type of debt.

The main assumptions reviewed in the product business plans are as follows:

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

### Employee benefits

In accordance with the prevailing laws and practices in France, Transgene offers certain benefits to ensure eligible employees receive a lump sum payment at the time of retirement (severance retirement plan). The Group's obligation under these defined benefit plans may be funded by plan assets consisting of various instruments, in line with the relevant government regulations.

The rights acquired by active staff are estimated using actuarial valuations based on the probability of death and continued employment by the Company, as well as expected future salaries. Commitments are valued using the projected credit unit method.

## Equity

### Share issue costs

Capital increase expenses net of deferred tax where applicable are charged directly against the issue premium, once the increase is completed.

### Liquidity contract

The Company uses a liquidity contract with a bank partner, making €500 thousand available. At closing date, treasury shares are restated as a deduction from equity. The profit/(loss) from the purchase and sale of treasury shares is transferred from income to equity, net of tax. In late December 2019 the liquidity contract was transferred from Kepler Cheuvreux to Natixis Oddo BHF SCA. The new contract took effect from January 2, 2020.

## Operating income

### Revenue from collaborative and licensing agreements

Revenue is recognized in accordance with IFRS 15. Under IFRS 15, revenue is recognized when the Company fulfills a performance obligation by supplying distinct goods or services (or a series of goods or services) to a client, i.e. when the client obtains control of these goods or these services. An asset is transferred when the client obtains control of this asset (or service).

Given the wide range of research and development opportunities in the therapeutic field, in addition to the fields in which the Company carries out research and development activities with its own scientific and financial resources, the Company concludes license and partnership agreements with third parties in certain specific fields that generate revenue. Consequently, each contract is analyzed, case by case, to determine whether it contains performance obligations towards the other party and, if so, to identify their nature in order to determine the appropriate accounting of the amounts that the Company received or is entitled to receive from the other party, according to the principles of IFRS 15. For example:

- development services provided by the Company to create or improve intellectual property controlled by the client, for which revenue is progressively recognized, as and when the services are provided;
- transfer of control of the Company's intellectual property as it exists at the moment of sale, for which revenue is recognized at the time control is transferred;
- a license:
  - if it is considered to be a right to access the Company's intellectual property over the lifetime of the license, the revenue is recognized over this lifetime, or
  - if it is a right to use the intellectual property of the Company as it exists at the time of sale (in terms of form and functionality), revenue is recognized when the other party is able to use and benefit from the license.

Potential revenue from attainment of project milestones or royalties on sales are not recognized prior to reaching the milestone or the completion of the sale.

### Public funding for research expenses

#### Research tax credit (RTC)

Certain research and development expenses in France are entitled to a research tax credit recognized at the end of the year in which the expense was recorded and the tax credit claimed. If it has not been used by allocation to a tax charge, the tax credit may be redeemed in accordance with the tax provisions.

Research tax credits are recognized in the income statement under Government grants in accordance with IAS 20.

#### Research and development grants

Transgene receives government subsidies from local, national or regional bodies that cover all or part of the research and development done on specific projects or topics. This assistance can take the form of subsidies or reimbursable advances.

In that case, the Company recognizes on the income statement at the line Public financing of research expenses the portion of subsidies due under the agreements based on the percentage of expenses incurred as of the reporting date.

## Research and development expenses

Research expenses are expensed in the income statement in the period in which they are incurred.

Development costs will be capitalized only when the requirements of IAS 38 are met.

## Share-based payments

The Company has share-based compensation plans giving rise to equity instruments (stock options or bonus share grants). The fair value of services provided by directors and employees in exchange for the grant of these instruments is recognized in expenses with an offsetting entry in equity. The total recognized in expenses for the vesting period is determined relative to the fair value of the stock options or the bonus shares on the grant date. The amount of the expense is measured based on the estimated number of employees that will meet the vesting conditions under the terms of the plan.

## Earnings per share

Basic earnings per share are obtained by dividing the net income attributable to Company shareholders by the average weighted number of shares outstanding during the corresponding period (less shares destined to be allocated to employees as part of free share plans and treasury shares destined for stock market adjustment purposes).

## Contribution to Value Added Enterprises (CVAE)

The CVAE is recorded, if any, in operating expenses under Overhead expenses.

## Tax Credit for Competitiveness and Employment (CICE)

The CICE was recognized in 2018 as a decrease under Employee benefits expenses. This plan was no longer in existence in 2019.

# NOTE 2 APPLICATION OF IFRS 16

The Company identified two contracts affected. These were office and laboratory leases in Lyon.

At December 31, 2018, the lease concerned the Lyonbiopôle building. This agreement terminated in May 2019. It was replaced by a lease on the Accinov building, starting in March 2019.

Since the Company chose the full retrospective approach for applying this standard, the financial data reported as at December 31, 2018 are modified in the following way:

### CONSOLIDATED BALANCE SHEET, IFRS AS AT JANUARY 1, 2018:

| *(in € thousands)* | 12/31/2017 | IFRS 16 impact | 01/01/2018 IFRS 16 |
|---|---|---|---|
| **ASSETS** | | | |
| **Total current assets** | **58,736** | **-** | **58,736** |
| Property, plant and equipment | 13,604 | 415 | 14,019 |
| **Total non-current assets** | **42,137** | **415** | **42,552** |
| **TOTAL ASSETS** | **100,873** | **415** | **101,288** |
| **LIABILITIES** | | | |
| Current financial liabilities | 10,283 | 333 | 10,616 |
| **Total current liabilities** | **16,866** | **333** | **17,199** |
| Non-current financial liabilities | 51,717 | 87 | 51,804 |
| **Total non-current liabilities** | **55,918** | **87** | **56,005** |
| Retained earnings | (513,194) | (4) | (513,198) |
| Profit/(loss) for the period | (32,274) | (1) | (32,275) |
| **Total equity attributable to Company shareholders** | **28,089** | **(5)** | **28,084** |
| **TOTAL EQUITY AND LIABILITIES** | **100,873** | **415** | **101,288** |

## CONSOLIDATED BALANCE SHEET, IFRS AS AT DECEMBER 31, 2018

| *(in € thousands)* | 12/31/2018 | IFRS 16 impact | 12/31/2018 IFRS 16 |
|---|---|---|---|
| **ASSETS** | | | |
| **Total current assets** | **29,754** | **-** | **29,754** |
| Property, plant and equipment | 13,217 | 104 | 13,321 |
| **Total non-current assets** | **78,789** | **104** | **78,893** |
| **TOTAL ASSETS** | **108,543** | **104** | **108,647** |
| **LIABILITIES** | | | |
| Current financial liabilities | 11,207 | 106 | 11,313 |
| **Total current liabilities** | **19,537** | **106** | **19,643** |
| Non-current financial liabilities | 48,369 | - | 48,369 |
| **Total non-current liabilities** | **52,305** | **-** | **52,305** |
| Retained earnings | (545,468) | (5) | (545,473) |
| Profit/(loss) for the period | 8,026 | 3 | 8,029 |
| **Total equity attributable to Company shareholders** | **36,701** | **(2)** | **36,699** |
| **TOTAL EQUITY AND LIABILITIES** | **108,543** | **104** | **108,647** |

## CONSOLIDATED IFRS INCOME STATEMENT AS AT DECEMBER 31, 2018

| *(in € thousands)* | 12/31/2018 | IFRS 16 impact | 12/31/2018 IFRS 16 |
|---|---|---|---|
| **Operating income** | **42,919** | **-** | **42,919** |
| Research and development expenses | (27,349) | 7 | (27,342) |
| **Operating expenses** | **(35,551)** | **7** | **(35,544)** |
| **Operating income/(loss)** | **7,368** | **7** | **7,375** |
| Net finance cost | (2,017) | (4) | (2,021) |
| **Income tax expense** | **8,026** | **3** | **8,029** |
| **NET INCOME/(LOSS)** | **8,026** | **3** | **8,029** |

### IFRS CASH FLOW STATEMENT, AS AT DECEMBER 31, 2018:

| *(in € thousands)* | 12/31/2018 | IFRS 16 impact | 12/31/2018 IFRS 16 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net income/(loss) | 8,026 | 3 | 8,029 |
| Cancellation of financial income | 2,017 | 4 | 2,021 |
| Depreciation and amortization | 1,733 | 310 | 2,043 |
| **Net cash generated from/(used in) operating activities before change in working capital and other operating cash flow** | **(26,355)** | **317** | **(26,038)** |
| **Net cash used in operating activities** | **(28,381)** | **317** | **(28,064)** |
| **Net cash used in investing activities** | **(1,398)** | **-** | **(1,398)** |
| **Cash flows from financing activities** | | | |
| Net financial income/(loss) proceeds | (75) | (4) | (79) |
| Financial leases | (391) | (313) | (704) |
| **Net cash generated from/(used in) financing activities** | **30,020** | **(317)** | **29,703** |
| **Net increase/(decrease) in cash and cash equivalents** | **242** | **-** | **242** |
| **Cash and cash equivalents at end of period** | **1,885** | **-** | **1,885** |
| **Cash, cash equivalents and other current financial assets** | **16,900** | **-** | **16,900** |

## NOTE 3 CASH, CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Cash | 1,335 | 864 |
| Cash equivalents | 8 | 1,021 |
| **Cash and cash equivalents** | **1,343** | **1,885** |
| **Other current financial assets** | **42,028** | **15,015** |
| **TOTAL CASH AND CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS** | **43,371** | **16,900** |
| 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 4 TRADE RECEIVABLES

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Total gross | 3,451 | 1,868 |
| Provisions for impairment | (1,127) | (1,084) |
| **TOTAL NET TRADE RECEIVABLES** | **2,324** | **784** |

The principal receivables are €1,335 thousand from AstraZeneca, €1,416 thousand from ElsaLys Biotech SA and €419 thousand from BioInvent.

The provisions for impairment correspond to the impairment of the receivables of ElsaLys Biotech SA.

## NOTE 5 OTHER CURRENT ASSETS

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Research tax credits, current portion | 119 | 8,041 |
| State – recoverable VAT and tax receivables | 1,085 | 312 |
| Inventories | - | 43 |
| Accrued credit notes | 223 | 101 |
| Employee benefits expense | 35 | 26 |
| Grant receivable | 61 | - |
| Exchange rate differences | - | 3 |
| Prepaid expenses, current portion | 2,420 | 3,144 |
| **TOTAL OTHER CURRENT ASSETS** | **3,943** | **12,070** |

The current portion of tax credits represents the CICE receivable for 2016 expected to be paid by the State in the first half of 2020 (Note 9). In June and July 2019 the Company signed agreements to sell its 2016, 2017 and 2018 research tax credit receivables to a banking institution for 95% of their value—respectively €5,982 thousand, €5,127 thousand and €5,501 thousand—and no longer has any amount receivable from the State. These new agreements are deconsolidating, and unlike previous RTC financing, no liability is recognized in connection with this financing received.

Prepaid expenses are primarily related to manufacturing contracts with ABL Europe. Contracts are signed several months prior to manufacturing in order to guarantee the production date. The batches produced are then released by the Responsible Pharmacist some months after their production following quality control. Transfer of property takes place when the batch is released. The Company no longer has inventories at December 31, 2019. Inasmuch as the Company is engaged solely in research and development, costs are recognized directly in the period's expenses.

# NOTE 6 PROPERTY, PLANT AND EQUIPMENT

| *(in € thousands)* | 12/31/2018 | Increase | Decrease | 12/31/2019 |
|---|---|---|---|---|
| **GROSS CARRYING VALUE** | | | | |
| Land | 1,771 | - | - | 1,771 |
| Buildings and fixtures | 16,275 | 150 | (40) | 16,385 |
| Right of use | 933 | 205 | (933) | 205 |
| Laboratory equipment | 10,693 | 581 | (418) | 10,856 |
| Office and computer equipment | 1,614 | 61 | (20) | 1,655 |
| Assets in progress | 71 | 722 | - | 793 |
| **Total gross carrying value of property, plant and equipment** | **31,357** | **1,719** | **(1,411)** | **31,665** |
| **DEPRECIATION, AMORTIZATION AND IMPAIRMENT** | | | | |
| Buildings and fixtures | (9,000) | (768) | 34 | (9,734) |
| Right of use | (830) | (158) | 933 | (55) |
| Laboratory equipment | (6,743) | (709) | 364 | (7,088) |
| Office and computer equipment | (1,463) | (62) | 20 | (1,505) |
| **Total depreciation, amortization and impairment** | **(18,036)** | **(1,697)** | **1,351** | **(18,382)** |
| **NET BOOK VALUE OF PROPERTY, PLANT AND EQUIPMENT** | **13,321** | **22** | **(60)** | **13,283** |

| *(in € thousands)* | 12/31/2017 | Increase | Decrease | 12/31/2018 |
|---|---|---|---|---|
| **GROSS CARRYING VALUE** | | | | |
| Land | 1,771 | - | - | 1,771 |
| Buildings and fixtures | 15,793 | 482 | - | 16,275 |
| Right of use | 933 | - | - | 933 |
| Laboratory equipment | 9,751 | 998 | (56) | 10,693 |
| Office and computer equipment | 1,605 | 58 | (49) | 1,614 |
| Assets in progress | 357 | - | (286) | 71 |
| **Total gross carrying value of property, plant and equipment** | **30,210** | **1,538** | **(391)** | **31,357** |
| **DEPRECIATION, AMORTIZATION AND IMPAIRMENT** | | | | |
| Buildings and fixtures | (8,073) | (928) | - | (9,001) |
| Right of use | (518) | (311) | - | (829) |
| Laboratory equipment | (6,213) | (569) | 39 | (6,743) |
| Office and computer equipment | (1,387) | (121) | 45 | (1,463) |
| **Total depreciation, amortization and impairment** | **(16,191)** | **(1,929)** | **84** | **(18,036)** |
| **NET BOOK VALUE OF PROPERTY, PLANT AND EQUIPMENT** | **14,019** | **(391)** | **(307)** | **13,321** |

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

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Research and development expenses | 1,650 | 2,023 |
| General and administrative expenses | 47 | 67 |
| **TOTAL DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT** | **1,697** | **2,090** |

# NOTE 7 INTANGIBLES ASSETS

| *(in € thousands)* | 12/31/2018 | Increase | Decrease | 12/31/2019 |
|---|---|---|---|---|
| **GROSS CARRYING VALUE** | | | | |
| Intangible assets | 4,234 | 43 | - | 4,277 |
| Intangible assets in progress | - | - | - | - |
| **Total gross carrying value of intangible assets** | **4,234** | **43** | **-** | **4,277** |
| **DEPRECIATION, AMORTIZATION AND IMPAIRMENT** | | | | |
| Intangible assets | (4,054) | (76) | - | (4,130) |
| **Total depreciation, amortization and impairment** | **(4,054)** | **(76)** | **-** | **(4,130)** |
| **NET BOOK VALUE OF INTANGIBLE ASSETS** | **180** | **(33)** | **-** | **147** |

| *(in € thousands)* | 12/31/2017 | Increase | Decrease | 12/31/2018 |
|---|---|---|---|---|
| **GROSS CARRYING VALUE OF INTANGIBLE ASSETS** | | | | |
| Intangible assets | 4,244 | 45 | (55) | 4,234 |
| Intangible assets in progress | - | - | - | - |
| **Total gross carrying value of intangible assets** | **4,244** | **45** | **(55)** | **4,234** |
| **DEPRECIATION, AMORTIZATION AND IMPAIRMENT** | | | | |
| Intangible assets | (3,994) | (115) | 55 | (4,054) |
| **Total depreciation, amortization and impairment** | **(3,994)** | **(115)** | **55** | **(4,054)** |
| **NET BOOK VALUE OF INTANGIBLE ASSETS** | **250** | **(70)** | **-** | **180** |

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

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Research and development expenses | 118 | 99 |
| General and administrative expenses | 11 | 18 |
| **TOTAL AMORTIZATION OF INTANGIBLE ASSETS** | **129** | **117** |

# NOTE 8 NON-CURRENT FINANCIAL ASSETS

## NON-CURRENT FINANCIAL ASSETS

| *(in € thousands)* | 12/31/2018 | Increase | Decrease | 12/31/2019 |
|---|---|---|---|---|
| **GROSS CARRYING VALUE** | | | | |
| Financial assets | 3,700 | 945 | (3,172) | 1,473 |
| Equity interest receivables | - | - | - | - |
| Non-consolidated equity securities without significant influence | 41,458 | - | - | 41,458 |
| Equity securities | 29 | - | - | 29 |
| **Total gross carrying value of financial assets** | **45,187** | **945** | **(3,172)** | **42,960** |
| Provisions for impairment | (29) | - | - | (29) |
| **NET BOOK VALUE OF FINANCIAL ASSETS** | **45,158** | **945** | **(3,172)** | **42,931** |

| *(in € thousands)* | 12/31/2017 | Increase | Decrease | 12/31/2018 |
|---|---|---|---|---|
| **GROSS CARRYING VALUE** | | | | |
| Financial assets | 3,714 | 924 | (938) | 3,700 |
| Equity interest receivables | 257 | - | (257) | - |
| Non-consolidated equity securities without significant influence | - | 41,458 | - | 41,458 |
| Equity securities | 29 | - | - | 29 |
| **Total gross carrying value of financial assets** | **4,000** | **42,382** | **(1,195)** | **45,187** |
| Provisions for impairment | (29) | - | - | (29) |
| **NET BOOK VALUE OF FINANCIAL ASSETS** | **3,971** | **42,382** | **(1,195)** | **45,158** |

The €945 thousand increase in financial assets in 2019 mainly corresponds to holdbacks on the assignment of the 2016, 2017 and 2018 RTC receivables signed in 2019.

The €3,172 thousand decrease in financial assets in 2019 relates, on the one hand, to the amount paid to the credit institution for the financing of the 2016 and 2017 RTCs (€1,749 thousand), and, on the other, to the repayment of the holdbacks for the 2015 RTC and CICE (€1,205 thousand).

At December 31, 2019, the shares representing 8.25% in ElsaLys Biotech SA, which were consolidated by the equity method until December 31, 2018, were re-classified as unconsolidated equity securities and without significant influence per IAS 28. The fair value of ElsaLys Biotech SA was zero at December 31, 2019.

The 41,458 thousand euros of non-consolidated equity securities without significant influence refer to the shares in Tasly BioPharmaceuticals obtained in July 2018 in exchange for the rights held in the Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. Joint venture and the rights to the product TG1050 for Greater China. Transgene owns 2.53% of Sillajen, which should be listed on the Hong-Kong Stock Exchange in 2020. This transaction occurred on the occasion of a capital increase, to which institutional funds contributed cash, at the same subscription price as the Company.

Transgene, the institutional funds, Tasly BioPharmaceuticals and its parent company Tasly Holding Group have 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 disposal by a shareholder, Tasly Holding Group undertakes to buy the shares subscribed by Transgene in the event the IPO does not take place within two years (i.e. July 2020), or three years if the IPO files is approved by the stock market authorities (i.e. July 2021), at the initial subscription price plus an annual contractual rate.

These securities were valued at fair value with an offsetting entry in the income statement at the balance sheet date.

The main assumptions used by management in measuring fair value as at December 31, 2019 were based on the assumptions obtained from Tasly BioPharmaceuticals that were used to value the company at the time of its pre-listing refinancing in July 2018 during which the Company became a shareholder, and concern:

- the estimate of the future cash flows that will be generated by the companies held and notably by the products being developed;

- the probable technical success of the products being developed and their approval by the regulatory authorities;
- the market potential for these products being developed;
- the value of the shares according to the latest capital transactions;
- The discount rate used by management.

The Company had an independent consulting firm review and update the assumptions at the closing date, on the basis of the information provided by Tasly BioPharmaceuticals including the interim financial statements at September 30, 2019 and the Company's presentation of December 2019. The financial statements at December 31, 2019 were not available as of the end of the reporting period due to the challenging environment in China as a result of Covid-19. The valuation of these securities was directly impacted by the fluctuation of the euro/US dollar parity as well as the WACC used. A 10% rise in the U.S. dollar would increase the value of the securities by 11%. A 10% fall in the U.S. dollar would decrease it by 9%. A 0.50% increase in the WACC would have a negative impact of 6% on the value of these securities and a decrease of 0.50% in the WACC would have a positive impact of 6% on the securities.

## INVESTMENTS IN ASSOCIATES

The table below shows the gross amounts (acquisition cost), provisions for impairment, and income for the equity affiliates:

| *(in € thousands)* | 12/31/2018 | Increase | Decrease | 12/31/2019 |
|---|---|---|---|---|
| **GROSS CARRYING VALUE** | | | | |
| ElsaLys Biotech SA | 1,694 | - | (1,694) | - |
| **Total carrying value of equity securities** | **1,694** | **-** | **(1,694)** | **-** |
| Share of profit/(loss) of ElsaLys Biotech SA | (1,694) | - | 1,694 | - |
| **Total share of profit/(loss) attributable to Transgene** | **(1,694)** | **-** | **1,694** | **-** |
| ElsaLys Biotech SA | - | - | - | - |
| **NET VALUE OF EQUITY SECURITIES** | **-** | **-** | **-** | **-** |

| *(in € thousands)* | 12/31/2017 | Increase | Decrease | 12/31/2018 |
|---|---|---|---|---|
| **GROSS CARRYING VALUE** | | | | |
| Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. | 7,668 | - | (7,668) | - |
| ElsaLys Biotech SA | 1,437 | 257 | - | 1,694 |
| **Total carrying value of equity securities** | **9,105** | **257** | **(7,668)** | **1,694** |
| Share of profit/(loss) of Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. | (4,752) | (504) | 5,256 | - |
| Share of profit/(loss) of ElsaLys Biotech SA | (1,437) | (257) | - | (1,694) |
| **Total share of profit/(loss) attributable to Transgene** | **(6,189)** | **(761)** | **5,256** | **(1,694)** |
| Transgene Tasly (Tianjin) BioPharmaceutical Co. Ltd. | 2,916 | (504) | (2,412) | - |
| ElsaLys Biotech SA | - | - | - | - |
| **NET VALUE OF EQUITY SECURITIES** | **2,916** | **(504)** | **(2,412)** | **-** |

### ElsaLys Biotech SA

At December 31, 2019 ElsaLys Biotech SA (8.25% owned) was no longer consolidated by the equity method. The deconsolidation did not have a significant impact on the consolidated financial statements as at December 31, 2019, since equity investments in affiliates were reclassified as non-current financial assets and measured at fair value as of the deconsolidation date and that fair value was zero at December 31, 2019.

# NOTE 9 OTHER NON-CURRENT ASSETS

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| RTC – Non-current portion | 6,619 | 17,484 |
| Tax credit for Competitiveness and Employment (CICE), non-current portion | 242 | 362 |
| Other receivables | 298 | - |
| Prepaid expenses, non-current portion | 323 | 135 |
| Receivables from the sale of participating interests, non-current portion | 1,996 | 2,253 |
| **TOTAL OTHER NON-CURRENT ASSETS** | **9,478** | **20,234** |

## Research tax credits and CICE

At December 31, 2019, the Company had a receivable of €6,619 thousand for the 2019 Research tax credit (RTC) and a receivable of €361 thousand on the competitiveness and employment tax credit (CICE) from 2016 to 2018 (including €120 thousand for the non-current portion). These 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).

In June and July 2019 the Company signed agreements to sell its 2016, 2017 and 2018 research tax credit receivables to a banking institution for 95% of their value—respectively €5,982 thousand, €5,127 thousand and €5,501 thousand—and no longer has any amount receivable from the State. These new agreements are deconsolidating, and unlike previous RTC financing, no liability is recognized in connection with this financing received.

| *Reference year* | Year of expected reimbursement | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| **CURRENT PORTION** | | | |
| 2015 | 2019 | - | 7,759 |
| **Total current portion** | | **-** | **7,759** |
| **NON-CURRENT PORTION** | | | |
| 2016 | 2020 | - | 6,297 |
| 2017 | 2021 | - | 5,397 |
| 2018 | 2022 | - | 5,790 |
| 2019 | 2023 | 6,619 | - |
| **Total non-current portion** | | **6,619** | **17,484** |
| **TOTAL RTC** | | **6,619** | **25,243** |
| **CURRENT PORTION** | | | |
| 2015 | 2019 | - | 282 |
| 2016 | 2020 | 120 | - |
| **Total current portion** | | **120** | **282** |
| **NON-CURRENT PORTION** | | | |
| 2016 | 2020 | - | 120 |
| 2017 | 2021 | 133 | 133 |
| 2018 | 2022 | 109 | 109 |
| **Total non-current portion** | | **242** | **362** |
| **TOTAL CICE** | | **362** | **644** |

## Receivables from the sale of participating interests

In 2014, the Company sold the equity securities that it held in Jennerex, Inc. to SillaJen. This sale resulted in a selling price composed of a fixed part payable upon the signature of the sale and a variable part consisting of future milestones based on events related to the stage of development of the product and subject to conditions, considered as a financial asset measured at amortized cost and re-valued annually according to variations in the expected flows. As at December 31, 2019, receivable from the sale of participating interests was valued at €1,996 thousand. This receivable has been measured taking into account the best possible estimate of the dates of payment milestones in the years to 2024.

These future cash flows were discounted and their probability calculated. The discounted cash flow rate of milestones not reached is calculated on the basis of the Weighted Average Cost of Capital (WACC), which is itself based on a so-called market-comparable approach. WACC was 14%. The discounted cash flow rate of milestones reached is calculated on the benchmark rate of the financing granted to the Company of 7.5%. The change in fair value at each balance sheet date is recorded in Financial income/(expense).

An upward change of 1% in the WACC would have practically no effect. Only one milestone remains measured with this rate and is evaluated as 10% accomplished. A 1% increase in the Company's benchmark financing rate would have a negative impact of about 2% on the value of the receivable. A 10% decrease in the probability used for the occurrence of future payments would have a negative impact of approximately 3% on the value of the receivable. Since these milestones are payable in American dollars, the valuation of the debt is directly impacted by any change in the euro/dollar exchange rate.

In the absence of payment by SillaJen of the price supplements due since 2017, Fortis, which represents the former shareholders of Jennerex Inc., decided to institute legal proceedings in Delaware, USA, in September 2018. According to the timetable of the legal proceedings, the Company considers that payments due to Transgene will not be made before the end of 2021. The Company considers that there is no risk of non-recovery of this receivable given the contractual analysis that was undertaken by the Company's lawyers and by taking into account the analysis conducted by the Company on SillaJen's capacity to pay the milestones due.

# NOTE 10 FINANCIAL LIABILITIES

The following table breaks down financial liabilities by maturity:

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Financial liabilities, current portion | 2,037 | 11,313 |
| Financial liabilities, non-current portion | 26,703 | 48,369 |
| **TOTAL FINANCIAL LIABILITIES** | **28,740** | **59,682** |

As of December 31, 2019, the main financial liabilities relate to the bank loan from the EIB of €10,000 thousand, the property financial lease (headquarters and main research and development laboratories) and conditional Bpifrance advances under the ADNA and NEOVIVA subsidy programs.

### FINANCIAL LIABILITIES, CURRENT PORTION

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Property leasing | 1,154 | 1,107 |
| Equipment leasing | 167 | 171 |
| Lease obligation | 73 | 106 |
| Financing of RTC and CICE | 134 | 8,033 |
| Interest on bank loan | 509 | 1,896 |
| **TOTAL FINANCIAL LIABILITIES, CURRENT PORTION** | **2,037** | **11,313** |

## FINANCIAL LIABILITIES, NON-CURRENT PORTION

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Property leasing | 3,940 | 5,093 |
| Equipment leasing | 376 | 543 |
| Lease obligation | 78 | - |
| Interest rate swaps – fair value (Note 24) | 181 | 256 |
| Conditional advances | 11,896 | 20,446 |
| Financing of RTC | - | 11,654 |
| Financing of CICE | 232 | 377 |
| Bank borrowing | 10,000 | 10,000 |
| **TOTAL FINANCIAL LIABILITIES, NON-CURRENT PORTION** | **26,703** | **48,369** |

### European Investment Bank (EIB) loan

In 2016, the Company obtained a €20 million credit facility from the European Investment Bank (EIB) under the IDFF (Infectious Diseases Finance Facility). The first €10 million tranche was drawn down on June 20, 2016. The second €10 million tranche, exercisable until December 31, 2017, was not drawn down by the Company.

This principal is repayable in full in a single bullet payment at the end of a five-year term, i.e. on June 20, 2021. The interest due is not capitalized. The accumulated interest of the first three years was paid in the first half of 2019 in the amount of €2,250 thousand. Interest due is recognized in Current financial liabilities at December 31, 2019 (€448 thousand).

No guarantee was provided by the Company for this loan.

### Natixis credit facility

In April 2019 the Company signed a revolving credit agreement with Natixis, capped at €20 million, which can be drawn down once or on several occasions. As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This loan agreement runs until June 2022 and, as is typical of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest. At December 31, 2019, the Company had not drawn down on this credit facility. The fees on undrawn amounts were recognized in Current financial liabilities, in the amount of €61 thousand.

### Property leasing

In December 2008, Transgene invested in a building housing labs and offices on the Illkirch site, in the suburbs of Strasbourg. Land and construction costs for the 6,900 sq.m. building totaled €15.6 million. This investment was financed by a 15-year finance lease, signed with a banking consortium in October 2007, with a residual value of €1.1 million. The first lease payment was made on January 1, 2009.

The balance of the principal amount at December 31, 2019 was €5,094 thousand compared to €6,200 thousand at December 31, 2018. The following table shows the breakdown of this debt, based on the maturity, financial costs and present value of individual payments:

| | 12/31/2019 | | 12/31/2018 | |
|---|---|---|---|---|
| | Minimum payments | Present value of the payments | Minimum payments | Present value of the payments |
| Due within one year | 1,212 | 1,194 | 1,177 | 1,160 |
| Due in one to five years | 4,030 | 3,829 | 4,148 | 3,948 |
| More than five years | - | - | 1,094 | 1,004 |
| Total future minimum lease payments | 5,242 | 5,023 | 6,418 | 6,112 |
| Finance costs included in the total | 148 | 143 | 218 | 211 |
| Outstanding principal: | 5,094 | 4,880 | 6,200 | 5,901 |
| of which current | 1,154 | 1,138 | 1,107 | 1,090 |
| of which non-current | 3,940 | 3,743 | 5,093 | 4,811 |

## Equipment leasing

Transgene has acquired various pieces of laboratory equipment under financial leases. At December 31, 2019 the Company owned on piece of equipment under a finance lease. The outstanding financial obligation under this financial lease totaled €543 thousand at December 31, 2019.

## Conditional advances

### ADNA

At December 31, 2019, conditional advances mainly referred to repayable advances received under the ADNA ("Advanced Diagnostics for New therapeutic Approaches") program, which receives public funding from Bpifrance to develop the TG4010 and TG4001 products. This program ended on December 31, 2016. Transgene received a total of €15,942 thousand of reimbursable advances under this program.

As at December 31, 2019, the liability consisting of reimbursable advances in the Company's balance sheet amounts to €11,737 thousand. At closing, the Company re-values its reimbursable advances received under the ADNA program in accordance with the discounted expected future reimbursements as discussed in Note 1 to the Annual financial statements.

The reimbursement of advances is subject to the fulfillment of a revenue threshold on TG4010 and TG4001 products predetermined for the following five years, and in proportion to the revenue from these products until a reimbursement ceiling is reached, or up until 2035. The expected discounted future reimbursements are thus estimated on the basis of an evaluation of future direct and indirect revenue associated with the TG4010 and TG4001 products being developed. The remaining assumptions used by Management in the measurement of the liability from reimbursable advances primarily concern:

- the schedule for the development and marketing of the products;
- 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.

Following the decision made in December 2019 to cease development of the product TG4010, the liability for reimbursable advances under the ADNA program was reduced sharply to €11,737 thousand, as against €20,446 thousand at December 31, 2018.

As at December 31, 2019, the discounted cash flow rate was 7.5%. A 1% increase in this discount rate would have a negative impact of about 10% on the value of this debt.

### NEOVIVA

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

In 2019 the Company received €237 thousand in reimbursable advances. The fair value of that liability at December 31, 2019 was calculated as €159 thousand. At December 31, 2019, the discount rate used was 7.5%.

## Funding of the research tax credit

The table below breaks down the components of the bank financing of receivables for the Company's research tax credit (RTC):

| | | | Assets | | | | | Liabilities | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Receivables Other Assets | | Security deposit | Prepaid Interest | Total | Financing Financial Liabilities | | Total |
| | Gross Amount | Bank Financing | Current Portion | Non-current Portion | Non-current financial assets | Current Portion | Assets | Current Portion | Non-current Portion | Liabilities |
| RTC 2016 | 6,297 | Yes | - | - | 315 | - | 315 | - | - | - |
| RTC 2017 | 5,397 | Yes | - | - | 270 | - | 270 | - | - | - |
| RTC 2018 | 5,790 | Yes | - | - | 289 | - | 289 | - | - | - |
| RTC 2019 | 6,619 | Non | - | 6,619 | - | - | 6,619 | - | - | - |
| **TOTAL RTC** | **24,103** | | **-** | **6,619** | **874** | **-** | **7,493** | **-** | **-** | **-** |
| CICE 2016 | 120 | Yes | 120 | - | 20 | - | 140 | 134 | - | 134 |
| CICE 2017 | 133 | Yes | - | 133 | 18 | - | 151 | - | 118 | 118 |
| CICE 2018 | 109 | Yes | - | 109 | 17 | - | 126 | - | 114 | 114 |
| **TOTAL CICE** | **362** | | **120** | **242** | **55** | **-** | **417** | **134** | **232** | **366** |

# NOTE 11 PROVISIONS FOR RISKS AND CHARGES

| *(in € thousands)* | 12/31/2018 | Provisions | Retained earnings | Reversals not applicable | Use of the provision | 12/31/2019 |
|---|---|---|---|---|---|---|
| Provisions for risks | 9 | 1 | - | (4) | - | 6 |
| Provisions for expenses | 67 | 892 | - | - | (67) | 892 |
| **TOTAL PROVISIONS FOR RISKS AND LIABILITIES** | **76** | **893** | **-** | **(4)** | **(67)** | **898** |

At December 31, 2019 in the wake of the decision to cease development of TG4010, an accounting provision of €892 thousand was created for the still un-incurred costs of this product's clinical trial in progress.

The provision for risks and liabilities at December 31, 2018 consisted primarily of the risk of normal compliance with payroll taxes. It was used during the first half of 2019.

# NOTE 12 OTHER LIABILITIES

## OTHER CURRENT LIABILITIES

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Tax and social liabilities | 3,664 | 2,967 |
| Prepaid income | 4,949 | 333 |
| *Of which:* | | |
| Revenue from collaboration and licensing | 4,923 | 333 |
| Research and development grants | - | - |
| Other | 26 | - |
| Other short-term payables | 6 | 163 |
| **TOTAL OTHER CURRENT LIABILITIES** | **8,619** | **3,463** |

Prepaid income primarily refers to the staggered payments of $10 million from the collaboration agreement with AstraZeneca signed in 2019. At December 31, 2019 there remained €4,923 thousand of prepaid income, which will be recognized during financial year 2020.

# NOTE 13 EMPLOYEE BENEFITS

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.

## Provisions for retirement benefit obligations

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 the Company's payroll at the time of retirement. The assumptions used to calculate these provisions for retirement are as follows:

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Discount rate | 0.80% | 1.70% |
| Expected long-term inflation rate | 1.75% | 1.75% |
| Rate of future salary increases | 1.50% | 1.50% |
| Retirement age: | | |
| managers | 65 years | 65 years |
| other grades | 63 years | 63 years |

The duration of these commitments is 10.1 years.

The following table summarizes the conditions and amounts of actuarial pension obligations at December 31, 2019 and 2018 according to IAS 19 revised:

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **CHANGE IN THE VALUE OF COMMITMENTS** | | |
| Projected benefit obligation at January 1 | 3,778 | 3,710 |
| Cost of services rendered for the year | 237 | 241 |
| Cost of discounting | 59 | 58 |
| Services paid | (67) | (285) |
| Change in assumptions | 250 | - |
| Reductions/terminations | - | - |
| Actuarial (gain)/loss | 170 | 54 |
| Projected benefit obligation for retirement | 4,427 | 3,778 |
| **DEFINED BENEFIT COST FOR THE YEAR** | | |
| Cost of services rendered for the year | 237 | 241 |
| Cost of discounting | 59 | 58 |
| Reductions/terminations | - | - |
| Cost of services and discounting | 296 | 299 |
| **REVALUATIONS OF NET LIABILITIES/(ASSETS)** | | |
| Actuarial losses (gains) related to changes in demographic assumptions | (26) | - |
| Actuarial losses (gains) related to changes in financial assumptions | 276 | - |
| Actuarial losses (gains) related to experience | 170 | 54 |
| **Total revaluations of net liabilities/(assets)** | **420** | **54** |
| **CHANGES IN NET LIABILITIES/(ASSETS)** | | |
| Liability/(asset) at beginning of year | 3,778 | 3,710 |
| Changes in scope | - | - |
| Amount recognized in the income statement | 296 | 299 |
| Disbursements | (67) | (285) |
| Amount recognized in other comprehensive income/(loss) | 420 | 54 |
| Liability/(asset) at end of year | 4,427 | 3,778 |
| **ACCUMULATED AMOUNTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME** | | |
| Accumulated amounts recognized at beginning of year | 26 | (28) |
| Revaluations of net liabilities/(assets) for the year | 301 | 54 |
| Accumulated amounts recognized at end of year | 327 | 26 |
| Deferred taxes | - | (6) |
| Net cumulative amounts recognized as income/(loss) at end of year | 327 | 20 |

A sensitivity test of the discount rate quantified the impact on the value of the obligation and the cost of services:

- a discount rate of 0.55% would cause an increase in the obligation of 2.6% and in the cost of services of 3.0% for the year;
- a discount rate of 1.05% would cause a decrease in the obligation of 2.5% and in the cost of services of 2.9% for the year.

# NOTE 14 EQUITY

## Share capital

83,265,464 Transgene shares were in circulation as of December 31, 2019, amounting to a share capital of €83,265,464.

Shareholders have preferential subscription rights during capital increases in proportion to their existing interests. This right may be waived in certain circumstances by a resolution voted in an Extraordinary General Meeting. Preferential subscription rights that have not been waived are negotiable during the subscription period.

## Earnings per share

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

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **BASIC EARNINGS PER SHARE** | | |
| Available net profit | (18,804) | 8,029 |
| Average number of shares outstanding | 83,265,464 | 62,275,923 |
| Basic earnings per share | (0.23) | 0.13 |
| Diluted earnings per share | (0.23) | 0.13 |

As of December 31, 2019, there was a potential dilution of 2,293,081 shares as a result of stock options that theoretically remain to be exercised or outstanding bonus shares.

## Stock option plans

As of the date of this Registration document, two stock option plans have been authorized by the General Shareholders' Meeting, in 2008 and 2010 respectively, and were implemented by the Board of Directors. No stock options have been awarded since 2012. The status of these plans at December 31, 2019 is summarized in the following table.

| Grant date | Exercise start date | Expiration date | Exercise price | Number of options granted | Number of options exercised in 2019 | Number of options remaining to be exercised at 12/31/2019 * |
|---|---|---|---|---|---|---|
| 10/4/2007 | 10/5/2012 | 10/5/2017 | 16.105 | 62,180 | 0 | 0 |
| 12/19/2007 | 12/20/2012 | 12/20/2017 | 15.021 | 6,760 | 0 | 0 |
| 12/16/2008 | 12/17/2014 | 12/17/2018 | 11.005 | 178,676 | 0 | 0 |
| 12/9/2009 | 12/10/2015 | 12/10/2019 | 17.122 | 76,907 | 0 | 0 |
| 12/7/2010 | 12/8/2015 | 12/8/2020 | 14.198 | 321,054 | 0 | 215,460 |
| 12/13/2012 | 12/14/2017 | 12/14/2022 | 7.859 | 92,578 | 0 | 41,532 |
| **TOTAL** | **N/A** | **N/A** | **N/A** | **N/A** | **0** | **256,992** |

* *This amount includes adjustments, in terms of the number of options and the exercise price, in accordance with regulations, following the capital increases maintaining preferential subscription rights of shareholders conducted in 2016 and 2019.*

| | Number of potential shares | Weighted average exercise price, per share |
|---|---|---|
| **Outstanding options at January 1, 2015** | **1,188,097** | **11.43** |
| Options granted in 2015 | - | - |
| Options forfeited in 2015 | 169,842 | 6.80 |
| Options exercised in 2015 | 17,429 | 6.38 |
| **Outstanding options at December 31, 2015** | **1,000,826** | **12.30** |
| Options granted in 2016 | - | - |
| Options forfeited in 2016 | 432,557 | 10.92 |
| Options exercised in 2016 | - | - |
| **Outstanding options at December 31, 2016** | **568,269** | **13.35** |
| Options granted in 2017 | - | - |
| Options forfeited in 2017 | 63,940 | 15.99 |
| Options exercised in 2017 | - | - |
| **Outstanding options at December 31, 2017** | **504,329** | **13.01** |
| Options granted in 2018 | - | - |
| Options forfeited in 2018 | 176,266 | 11.10 |
| Options exercised in 2018 | - | - |
| **Outstanding options at December 31, 2018** | **328,063** | **14.04** |
| Options granted in 2019 | - | - |
| Options forfeited in 2019 | 71,071 | 17.19 |
| Options exercised in 2019 | - | - |
| **Outstanding options at December 31, 2019** | **256,992** | **13.17** |
| Options exercisable at December 31, 2018 | 328,063 | 14.04 |
| Options exercisable at December 31, 2019 | 256,992 | 13.17 |
| **Outstanding options at December 31, 2019** | **256,992** | **13.17** |

### Expenses calculated on stock option plans

The cost of services rendered is recognized as an expense over the vesting period. There was no expense in 2019, just as in 2018.

## Free share plans

Three free share plans allocations of shares were outstanding at the date of this Registration Document, adopted by the Board of Directors in 2018 and 2019 for all employees and executive corporate officers under a delegation granted by the Annual General Shareholders' Meeting of May 24, 2016 (the 2016 Plan), May 23, 2018 (the 2018 Plan) and May 22, 2019 (the 2019 Plan).

The status of these plans at December 31, 2019 is summarized in the following table:

| | | | 2016 PLAN |
|---|---|---|---|
| General Meeting date | | | 5/24/2016 |
| Total number of shares authorized by the meeting | | | 600,000 |
| | **2016 allocation** | **2017 allocation** | **2018 allocation** |
| Of which allocations granted, during the year, by the issuer and by any company included in the scope of the allocation to corporate officers. | 37,800 | 31,000 | 34,600 |
| Of which, grants made during the year by the issuer and by any company in the scope of awards, to the ten non-corporate officer employees of the issuer and of any company within this scope, whose number of free shares awarded is greatest. | 73,000 | 49,400 | 85,000 |
| Board of Directors meeting date | 5/24/2016 | 3/17/2017 | 3/21/2018 |
| Total number of bonus shares allocated | 207,550 | 183,000 | 220,600 |
| Balance at 12/31/2018 | 200,733 | 179,800 | 219,582(**) |
| Of which: number of shares allocated to corporate officers and members of the Executive Committee | 92,800 | 72,000 | 104,600 |
| Final grant date | 5/24/2018 | 3/17/2019 | 3/21/2020 |
| Expiration date of the lock-up period | 5/24/2020 | 3/17/2021 | 3/21/2022 |
| Share value on the date of allocation (opening price on the date of allocation) | €2.71 | €2.63 | €3.15 |

| | **Plan 2018 *** | **Plan 2019** |
|---|---|---|
| General Meeting date | 5/24/2018 | 5/22/2019 |
| Total number of shares authorized by the meeting | 1,200,000 | 2,000,000 |
| | **Grant March 2019** | **Grant September 2019** |
| Of which allocations granted, during the year, by the issuer and by any company included in the scope of the allocation to corporate officers | 77,500 | 350,000 |
| Of which, grants made during the year by the issuer and by any company in the scope of awards, to the ten non-corporate officer employees of the issuer and of any company within this scope, whose number of free shares awarded is greatest | - | 628,236 |
| Board of Directors meeting date | 3/20/2019 | 9/18/2019 |
| Total number of bonus shares allocated | 414,800 | 1,399,774 |
| Balance at 12/31/2019 | 416,733 (**) | 1,399,774 |
| Of which: number of shares allocated to corporate officers and members of the Executive Committee | 192,000 | 840,000 |
| Final grant date | 4/20/2020 | 3/30/2022 |
| Expiration date of the lock-up period | 4/20/2021 | 3/30/2022 |
| Share value on the date of allocation (opening price on the date of allocation) | €2.98 | €1.78 |

*(*) The unallocated shares from the 2018 Plan are canceled.*

*(**) This amount takes into account the adjustments in the number of shares carried out in accordance with allocation regulations, following the capital increases maintaining preferential subscription rights of shareholders conducted in 2019.*

**Grant conditions**

- Grant of March 2018: the shares are definitively granted 13 months after their allocation to employees who are still with the Company;
- Grant of March 2019: the shares are definitively granted 13 months after their allocation to employees who are still with the Company.
- Grant of September 2019: the shares are definitively granted 30 months after their allocation to employees who are still with the Company. The Executive Committee received 840,000 free shares during this grant. Performance conditions have been defined for half of these shares. These conditions will be assessed in March 2022.

**Expense calculated for share-based payments**

The cost of services rendered is recognized as an expense over the vesting period. The expense amounted to €1,351 thousand in 2019 and €467 thousand in 2018.

# NOTE 15 OPERATING INCOME

## REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Revenue from research and development collaboration | 6,590 | 1,300 |
| License fees and royalties | 62 | 35 |
| **TOTAL REVENUE FROM COLLABORATIVE AND LICENSING AGREEMENTS** | **6,652** | **1,335** |

In April 2019, the Company entered into a collaboration agreement with AstraZeneca with exclusive licensing options to co-develop oncolytic immunotherapies derived from the Invir.IO™ platform. In the first half of 2019 Transgene thus received €8.9 million (US$10 million) in fees for access to its platform. 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 from preclinical milestones are met. Transgene is eligible to receive an option exercise payment on each candidate in the event AstraZeneca exercises one or several license options, as well as development and commercial milestones and royalties. The assumptions used by Management in the measurement of revenue related to the initial payment primarily concern: the schedule for the development of candidates; the budget of wage costs and consumables related to candidate development. On December 23, 2019, a first amendment to the contract was signed, providing for the replacement of two initially selected candidates, by two new candidates that will be selected by AstraZeneca before March 30, 2020 and will be subject to a second amendment. At that date, one candidate had been developed and two other were under development. It was decided not to continue with the development of these two candidates, although the on-going development gives Transgene the right to receive option exercise payments as defined in the initial contract. On December 31, 2019, Transgene re-estimated the overall budget for the program and its progress. The revenue related to the initial payment recognized at December 31, 2019 was assessed on the basis of this revised budget and program progress.

Over the period, the income recognized under this collaboration agreement was €5,344 thousand. Of this amount €3,978 thousand reflects recognition of the initial payment for work done during the period. The €4,923 thousand balance not recognized at this time was recorded in Prepaid income at December 31, 2019 (Note 11). The Company also received €1,366 thousand for achieving preclinical milestones.

## PUBLIC FUNDING FOR RESEARCH EXPENSES

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Research and development grants | 84 | - |
| Research tax credit, net | 6,560 | 5,749 |
| **TOTAL PUBLIC FUNDING FOR RESEARCH EXPENSES** | **6,644** | **5,749** |

The net amount of the research tax credit was €6,560 thousand in 2019 compared to €5,749 thousand in 2018.

### OTHER INCOME

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Income from sale of fixed assets | - | 2 |
| Other income | 437 | 35,833 |
| **TOTAL OTHER INCOME** | **437** | **35,835** |

For the period ended December 31, 2019 other income of €437 thousand mainly corresponds to the reversal of a provision of €200 thousand for an ABL Lyon receivable.

For the period ended December 31, 2018 other income mainly comprised the income from the sale of rights in TG1050 in Greater China to Tasly BioPharmaceuticals for €35,611 thousand ($41 million) in July 2018. These rights had not been activated by the Company and were recognized as expenses in previous years.

As a reminder, the total value of the transactions with Tasly BioPharmaceuticals amounted to €41,458 thousand in 2018:

- €35,611 thousand for the rights in TG1050 owned by Transgene; and
- €5,847 thousand ($7 million) for the securities in the Transgene Tasly joint venture, for which the valuation mainly comprises the rights to TG6002, recognized in income from equity affiliates.

In consideration for these transactions, the Company received shares in Tasly BioPharmaceuticals.

## NOTE 16 OPERATING EXPENSES

### RESEARCH AND DEVELOPMENT EXPENSES

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Payroll costs (1) | 11,171 | 11,187 |
| Share-based payments (2) | 886 | 299 |
| Intellectual property expenses and licensing costs (3) | 886 | 920 |
| External expenses for clinical projects (4) | 10,857 | 7,931 |
| External expenses for other projects (5) | 1,619 | 1,469 |
| Operating expenses (6) | 4,199 | 3,415 |
| Depreciation, amortization and provisions (7) | 1,767 | 2,121 |
| **TOTAL RESEARCH AND DEVELOPMENT EXPENSES** | **31,385** | **27,342** |

*(1) Represents wages and social security charges, taxes, retirement charges and other such costs.*
*(2) Represents expense for share-based payments offered to employees.*
*(3) Represents expenses for filing and maintaining patents as well as the costs of licenses acquired or granted.*
*(4) Represents expenses for services, subcontractors and consulting on clinical development projects.*
*(5) Represent expenses for services, subcontractors and consulting on other research or manufacturing projects.*
*(6) Represents operating expenses of research and production laboratories (energy, consumables and raw materials, maintenance, technical services, overheads, etc.).*
*(7) Represents the depreciation on the real estate and property allocated to R&D and to operating provisions.*

## GENERAL AND ADMINISTRATIVE EXPENSES

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Payroll costs [1] | 3,177 | 3,276 |
| Share-based payments [2] | 465 | 169 |
| Fees and administrative expenses [3] | 2,781 | 2,760 |
| Other general and administrative expenses [4] | 653 | 701 |
| Depreciation, amortization and provisions [5] | 58 | 86 |
| **TOTAL GENERAL AND ADMINISTRATIVE EXPENSES** | **7,134** | **6,991** |

*(1) Represents wages and social security charges, taxes, retirement charges and other such costs.*
*(2) Represents expense for share-based payments offered to employees.*
*(3) Represents expenses for services, subcontracting and consulting for general and administrative departments.*
*(4) Represents operating expenses of general and administrative departments.*
*(5) Represents amortization and operating provisions allocated to general and administrative activities.*

## OTHER EXPENSES

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Net carrying value of disposals of fixed assets | 59 | 22 |
| Other expenses | 609 | 1,189 |
| **TOTAL OTHER EXPENSES** | **668** | **1,211** |

At December 31, 2019, other expenses were €668 thousand. These derived mainly from the the change in inventories (€483 thousand). The related charge was €483 thousand. At December 31, 2018 other expenses were €1,211 thousand and mainly involved the provision for impairment of the ElsaLys Biotech SA receivables in the amount of €1,084 thousand.

# NOTE 17 FINANCIAL INCOME/(LOSS)

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Investment income | 130 | 126 |
| Cost of debt | (1,442) | (1,035) |
| **Borrowing costs net of investments** | **(1,312)** | **(909)** |
| Other financial income and expenses | 8,162 | (1,116) |
| Foreign exchange gains/(losses) | (200) | 4 |
| **Total** | **7,962** | **(1,112)** |
| **NET FINANCE COST** | **6,650** | **(2,021)** |

The cost of debt comprises:

- interest accrued on the EIB loan of €803 thousand for 2019 (vs. €750 thousand in 2018);
- interest associated with the assignment of RTC receivables of €267 thousand;
- and bank interest on the Natixis credit facility of €182 thousand.

Financial income refers largely to the present discounting of the debt owed to Bpifrance on the advances received under the ADNA program (€8,709 thousand versus expense of €961 thousand in 2018). Following the discontinuation of the clinical development of TG4010 in 2019, the debt has been significantly reduced and a financial income has been recognized accordingly.

Financial expense refers primarily to the present discounting of the contingent proceeds on the sale of Jennerex, Inc. stock to SillaJen, Inc. in 2014 (€257 thousand vs. €252 thousand in 2018).

# NOTE 18 INCOME TAX EXPENSES

## Current taxes

Since the Company is in a tax loss position, its current tax charge is zero. The U.S. and Chinese subsidiaries did not recognize any current tax income or expense in 2018 and 2019.

| *(in € thousands)* | |
|---|---|
| IFRS earnings before taxes | (18,804) |
| Income tax rate | 33.33 % |
| **Theoretical income tax expense** | **6,267** |
| Tax-exempt RTC | 2,200 |
| Uncapitalized tax losses | (8,178) |
| Other impacts | (289) |
| **INCOME TAX RECOGNIZED** | **-** |

## Deferred taxes

At December 31, 2019 Transgene had tax loss carryforwards in France (indefinitely carryable) totaling €696,809 thousand. Transgene has no tax loss carryforwards from its U.S. and Chinese subsidiaries.

# NOTE 19 PERSONNEL

## Workforce

The Company's registered workforce totaled 160 employees at December 31, 2019, including one with Transgene Inc. The Company had 147 employees as of December 31, 2018.

| As of December 31, 2019 | Men | Women | Total at 12/31/2019 |
|---|---|---|---|
| Managers | 43 | 71 | 114 |
| Non-managers | 14 | 32 | 46 |
| **TOTAL WORKFORCE** | **57** | **103** | **160** * |

* *Including 136 open-ended contracts at 12/31/2019.*

## Payroll costs

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

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Research and development expenses | 11,171 | 11,187 |
| General and administrative expenses | 3,177 | 3,276 |
| **TOTAL EMPLOYEE BENEFITS EXPENSES** | **14,348** | **14,463** |

Expenses relating to share-based payments amounted to:

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Research and development expenses | 886 | 298 |
| General and administrative expenses | 465 | 169 |
| **TOTAL EMPLOYEE BENEFITS EXPENSES** | **1,351** | **467** |

# NOTE 20 AFFILIATED COMPANIES

Transgene signed a cash pooling agreement with Institut Mérieux. The cash and cash equivalents placed in the Institut Mérieux cash pool amounted to a receivable of €42.0 thousand at December 31, 2019; the resulting interest income was €109 thousand at December 31, 2019.

The table below does not include these cash items.

| | | 12/31/2019 | |
|---|---|---|---|
| *(in € thousands)* | **Type of related party** | Receivables | Payables |
| ABL Europe SAS | Company in the Mérieux Group | 20 | 285 |
| ABL Lyon | Company in the Mérieux Group | - | 13 |
| bioMérieux SA | Company in the Mérieux Group | - | (1) |
| bioMérieux, Inc. | Company in the Mérieux Group | - | 42 |
| Institut Mérieux | Company in the Mérieux Group | 298 | 114 |
| Mérieux Université | Company in the Mérieux Group | - | 6 |
| Thera Conseil | Company in the Mérieux Group | - | - |
| **TOTAL AFFILIATED COMPANIES** | | **318** | **459** |

| | | 12/31/2019 | |
|---|---|---|---|
| *(in € thousands)* | **Type of related party** | Revenue | Expenses |
| ABL Europe SAS (1) | Company in the Mérieux Group | 215 | 4,359 |
| ABL Lyon (2) | Company in the Mérieux Group | - | 36 |
| bioMérieux SA | Company in the Mérieux Group | - | (1) |
| bioMérieux, Inc. (3) | Company in the Mérieux Group | - | 494 |
| Institut Mérieux (4) | Company in the Mérieux Group | 298 | 460 |
| Mérieux Université | Company in the Mérieux Group | - | 8 |
| Thera Conseil | Company in the Mérieux Group | - | 5 |
| **TOTAL AFFILIATED COMPANIES** | | **513** | **5,360** |

*(1) Revenue corresponds to the rent re-invoicing contract for hosting test labs. Expenses relate to the agreements for production services provided by ABL Europe.*
*(2) Expenses relate to the agreements for services provided by ABL Lyon.*
*(3) Expenses correspond to the agreement for services and re-invoicing of staff between Transgene, Inc. and bioMérieux, Inc.*
*(4) Expenses relate to the agreements for services provided by Institut Mérieux.*

# 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, or 2.53% of its capital. The assets contributed by Transgene were valued by the parties at U.S. $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 have 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 two years (i.e. July 2020), or three years if the IPO filed is approved by the stock market authorities (i.e. July 2021), at the initial subscription price plus an annual contractual rate.

In April 2019 the Company signed a revolving credit agreement, of €20 million, available in one or more draws. As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This loan agreement runs for two and a half years until June 2022 and, as is typical of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest.

Transgene is also bound by contracts with subcontractors. That could have an impact over several accounting periods. As of December 31, 2019, the Company estimated the current value of its financial commitments under these agreements to be approximately €25 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 balance sheet 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 balance sheet date.

# 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 are 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

## DECEMBER 31, 2019

| **Assets** *(in € thousands)* | **Gross amount** | **One year or less** | **More than one year** |
|---|---|---|---|
| Financial fixed assets | 1,473 | 335 | 1,138 |
| Trade receivables | 3,451 | 3,451 | - |
| Research tax credits and CICE | 6,981 | 120 | 6,861 |
| Government, VAT and other local authorities | 1,085 | 1,085 | - |
| Personnel and related accounts | 35 | 35 | - |
| Prepaid expenses | 2,742 | 2,420 | 322 |
| Grant receivable | 61 | 61 | - |
| Receivables from the sale of equity investment | 1,996 | - | 1,996 |
| Other receivables | 521 | 223 | 298 |
| **TOTAL ASSETS BY MATURITY** | **18,345** | **7,730** | **10,615** |

| **Liabilities** *(in € thousands)* | **Gross amount** | **One year or less** | **More than one year and less than or equal to five years** | **More than five years** |
|---|---|---|---|---|
| Trade payables | 7,092 | 7,092 | - | - |
| Property leasing | 5,094 | 1,154 | 3,940 | - |
| Equipment leasing | 543 | 167 | 376 | - |
| Lease obligations | 151 | 73 | 78 | - |
| Conditional advances | 11,896 | - | - | 11,896 |
| Financing of research tax credit and CICE | 366 | 134 | 232 | - |
| Bank loan | 10,509 | 509 | 10,000 | - |
| Provisions for risks and liabilities | 898 | 898 | - | - |
| Provisions for retirement | 4,427 | 261 | 1,560 | 2,607 |
| Accrued employee benefits and tax expense | 3,664 | 3,664 | - | - |
| Prepaid income | 4,953 | 4,949 | 4 | - |
| Other liabilities | 181 | - | 181 | - |
| **TOTAL LIABILITIES BY MATURITY** | **49,744** | **18,901** | **16,371** | **14,503** |

# NOTE 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

## Hedging operations

The Company is not engaged in any foreign exchange hedges.

In the first half of 2009, the Company partially hedged the interest rate risk related to the financial leasing of its administrative and research building in Illkirch (see Note 10), according to the following terms:

- nominal value: €5.9 million (depreciable);
- hedging instrument: interest rate swap contract;
- residual maturity at December 31, 2019: 4 years;
- underlying rate: 3-month Euribor;
- fixed rate: 3.46%.

As the hedge is perfect, the variations in market value for the instrument are recognized at net value. At December 31, 2019, the market value of this hedging instrument was €181 thousand.

The market value is the amount that the Company would have had to pay if it decided to liquidate the hedge at December 31, 2019.

## Exchange rate risk

The Company publishes its consolidated financial statements in euros. However, a portion of its revenue and expenses is recognized in U.S. dollars. An increase or decrease in the euro exchange rate relative to the U.S. dollar could impact operating results.

The Company has U.S. dollar bank accounts. Net dollar receipts totaled $8,542 thousand in 2019.

The following table shows the sensitivity of the Company's expenses to a 10% change in the U.S. dollar rate during the years ended December 31, 2019 and 2018 (before tax and any hedging):

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Flows denominated in U.S. dollars | 8,542 | (2,817) |
| Equivalent in euros on the basis of an exchange rate of €1 = $1.1234 | 7,604 | (2,460) |
| Equivalent in euros in the event of an increase of 10% USD vs. EUR | 8,449 | (2,734) |
| Equivalent in euros in the event of a decrease of 10% USD vs. EUR | 6,912 | (2,237) |

The contract signed with AstraZeneca is in US dollars, which explains the net dollar receipts at December 31, 2019.

The Company's foreign exchange position as at December 31, 2019 is as follows:

| *(in thousands)* | USD |
|---|---|
| Assets | 51,785 |
| Liabilities | 23,286 |
| Net position | 28,499 |
| Adjusted | 28,499 |
| Off-balance sheet position | - |

## Risks related to cash needs

The Group controls the risks related to cash management through centralized tracking and approval procedures. Cash assets are invested in highly rated marketable securities.

Cash invested at December 31, 2019 in mutual funds, directly or through the centralized management of the Institut Mérieux group, amounted to €42.0 million. The Company has and will have significant capital requirements to finance its research and development, particularly preclinical and clinical trials of its products under development.

## Capital management

The Company has limited access to debt due to its losses and the high-risk nature of the business sector (pharmaceutical research and development) under which it operates. The Company plans to finance operations mainly by issuing new shares or through debt instruments when circumstances allow it.

## Financial instruments

| December 31, 2019 *(in € thousands)* | Assets and liabilities 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 | 1,343 | - | - | 1,343 | 1,343 | 1 |
| Other current financial assets | 42,028 | - | - | 42,028 | 42,028 | 2 |
| Trade receivables | - | 2,324 | - | 2,324 | 2,324 | - |
| Financial fixed assets | 41,458 | 1,473 | - | 42,931 | 42,931 | 3 |
| Receivable on non-current financial assets | - | - | - | - | - | - |
| Other non-current assets | - | 1,996 | - | 1,996 | 1,996 | 3 |
| **TOTAL FINANCIAL ASSETS** | **84,829** | **5,793** | **-** | **90,622** | **90,622** | |
| **FINANCIAL LIABILITIES** | | | | | | |
| Borrowings from credit institutions, long-term portion | - | 10,232 | - | 10,232 | 10,232 | 2 |
| Lease commitment, long-term portion | - | 4,316 | - | 4,316 | 4,316 | 2 |
| Lease liability – long-term portion | - | 78 | - | 78 | 78 | 2 |
| Conditional advances | - | 11,896 | - | 11,896 | 11,896 | 3 |
| Other non-current financial liabilities | - | - | 181 | 181 | 181 | 2 |
| **Non-current financial liabilities** | **-** | **26,522** | **181** | **26,703** | **26,703** | **-** |
| Borrowings from credit institutions, short-term portion | - | 643 | - | 643 | 643 | 2 |
| Finance leasing, short-term portion | - | 1,321 | - | 1,321 | 1,321 | 2 |
| Lease obligation – short-term portion | - | 73 | - | 73 | 73 | 2 |
| **Current financial liabilities** | **-** | **2,037** | **-** | **2,037** | **2,037** | **-** |
| **Trade payables** | **-** | **7,092** | **-** | **7,092** | **7,092** | **-** |
| **TOTAL FINANCIAL LIABILITIES** | **-** | **35,651** | **181** | **35,832** | **35,832** | **-** |

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 25 COMPENSATION PAID TO MEMBERS OF ADMINISTRATIVE AND MANAGEMENT BODIES

The total expense recorded for fiscal year 2019 in respect of compensation paid to members of the Board of Directors and the Executive Committee was €3,511 thousand.

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Base salaries | 1,742 | 1,706 |
| Variable compensation | 734 | 685 |
| Payments in kind | 31 | 30 |
| Free shares | 768 | 221 |
| Director's fees | 236 | 202 |
| **TOTAL** | **3,511** | **2,844** |

## NOTE 26 STATUTORY AUDITORS' FEES

| | Ernst & Young et Autres | | | | Grant Thornton | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount (pre-tax) | | % | | Amount (pre-tax) | | % | |
| *(in € thousands)* | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Audit | - | - | - | - | - | - | - | - |
| STATUTORY AUDITORS, CERTIFICATION, EXAMINATION OF INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS | | | | | | | | |
| Issuer | 104 | 64 | 68% | 81% | 52 | 50 | 54% | 100% |
| Fully consolidated subsidiaries | - | - | - | - | - | - | - | - |
| OTHER DUE DILIGENCE AND SERVICES DIRECTLY RELATED TO THE AUDIT | | | | | | | | |
| Issuer | 50 | 15 | 32% | 19% | 45 | - | 46% | - |
| Fully consolidated subsidiaries | - | - | | - | - | - | - | - |
| **Sub-total** | **154** | **79** | **100%** | **100%** | **97** | **50** | **100%** | **100%** |
| Other services provided by networks to fully consolidated subsidiaries | | - | | - | | - | | - |
| Legal, tax and social | | - | | - | | - | | - |
| Other (specify if > 10% of the audit fees) | | - | | - | | - | | - |
| **Sub-total** | | **-** | | **-** | | **-** | | **-** |
| **TOTAL** | **154** | **79** | **100%** | **100%** | **97** | **50** | **100%** | **100%** |

## NOTE 27 POST-CLOSING EVENTS

None.

## 4.1.3 Date of latest financial information

December 31, 2018 and June 30, 2019.

# 4.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2019

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.*

*This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Annual General Meeting of Transgene S.A.,

## Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Transgene S.A. for the year ended December 31, 2019. These accounts were approved by the Board of Directors on March 11, 2020 on the basis of the elements available at that date, in the evolving context of the health crisis related to Covid-19.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

## Basis for Opinion

### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes*.

### Emphasis of Matter

We draw attention to Note 1 "Accounting principles" to the consolidated financial statements relating to the application by your Company, as from January 1, 2019, of IFRS 16 "Leases", the impacts of which are described in Note 2 to the consolidated financial statements. Our opinion is not modified in respect of this matter.

# Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, as approved in the above-mentioned context, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

## MEASUREMENT OF SHARES HELD IN TASLY BIOPHARMACEUTICALS

| Risk identified | Our response |
|---|---|
| On July 10, 2018, your Group received shares in Tasly Biopharmaceuticals amounting to USD 48m, in return, on the one hand for the transfer of its investment in the joint venture which owned the T6002 rights and, on the other hand, for the transfer of the T1050 patent rights for Greater China.<br>As at December 31, 2019, the fair value of the shares held in Tasly Biopharmaceuticals (a non-listed company) recorded in your Company's balance sheet amounts to MEUR 41.5 and represents 2.53% of the entity's capital.<br>As stated in Notes 1 and 8 to the consolidated financial statements, the valuation of the shares held is based on an analysis in accordance with the expected fair value of the assets.<br>The valuation of these shares requires management to exercise judgment in its choice of the elements to be taken into account, corresponding to forecasts.<br>The main assumptions taken into account by management in the measurement of fair value are based on assumptions obtained from Tasly Biopharmaceuticals, used to value the Company on the occasion of the pre-IPO refinancing in July 2018, during which the Group became a shareholder, and concern:<br>• the estimate of the future cash flows that will be generated by the companies held and notably by the products being developed;<br>• the probable technical success of the products being developed and their approval by the regulatory authorities;<br>• the market potential for these products being developed;<br>• the value of the shares in accordance with the latest capital transactions;<br>• the discount rate used by management.<br>The Group had an independent advisory firm who reviewed and updated the model used and the assumptions at year-end, based on the information provided by Tasly Biompharmaceuticals.<br>Any error in the assessment of the assumptions has an impact on the fair value estimate. We considered the determination of the fair value of the held shares to be a key audit matter as it involves significant exercise of management's judgment. | Our work consisted in examining the methods and assumptions used by the gGoup to determine the fair value of the shares, in particular:<br>• we compared the valuation model applied and the assumptions used with those used when the initial acquisition price was set in July 2018;<br>• we included a specialist in our audit team to assess the models and assumptions used by reviewing their consistency, on the one hand, with the budgets and forecasts used in the valuation of the initial acquisition price and, on the other hand, with our knowledge of the sector, acquired notably during interviews with management and by comparison with similar projects conducted by other companies in the same sector of activity;<br>• we compared the discount rate with our own estimate of this rate, set with the assistance of our valuation specialists, and through analysis of the various parameters.<br>Finally, we also examined the appropriateness of the information disclosed in the notes to the consolidated financial statements, in particular the sensitivity analyses presented. |

## VALUATION OF ADNA REPAYABLE ADVANCES

| Risk identified | Our response |
|---|---|
| As at December 31, 2019, the fair value of the liability consisting of repayable advances recorded in your Company's balance sheet amounts to MEUR 11.74. At year-end, the Company re-values its repayable advances liability under the ADNA program to match the amount of the expected repayments, as described in Notes 1 and 10 to the consolidated financial statements.<br>The repayment of these advances is subject to the achievement of a certain threshold of revenue with the TG4001 and TG4010 products, and will be based on a predetermined and set amount during the following five years, and then in proportion to the revenue generated by these products until a repayment limit is reached or until 2035 at the latest. The fair value of the expected future repayments is thus estimated by management based on the estimated future direct and indirect revenue generated solely by the TG4001 being developed, given the discontinuation of the TG4010 in 2019.<br>The other assumptions used by management to measure the fair value of the repayable advances liability notably concern:<br>• the probabilities of success of the clinical phases;<br>• the timing and conditions of a partnership concerning the development and the marketing of these products;<br>• the discount rate used by management.<br>Therefore, the measurement of the repayable advances liability requires management to exercise judgment in its choice of the elements to be taken into account, in particular as regards forecasts.<br>Any error in the assessment of these assumptions would have an impact on the estimation of the debt to be repaid. We considered the measurement of the ADNA repayable advances to be a key audit matter as it involves significant exercise of management's judgment. | Our work consisted in examining the methods and assumptions used by the Company to measure the fair value of the ADNA repayable advances, in particular:<br>• we assessed the valuation model and the assumptions used, by considering their consistency with, on the one hand, the budgets and forecasts drawn up by management and presented to the Board of Directors and, on the other hand, our knowledge of the sector, acquired notably during interviews with management;<br>• we compared the discount rate with our own estimate of this rate;<br>• we examined the US dollar to euro rate used within the context of the valuation performed.<br>Finally, we examined the appropriateness of the information disclosed in the notes to the consolidated financial statements. |

## MEASUREMENT OF THE INCOME RELATED TO THE COLLABORATION AGREEMENT WITH ASTRAZENECA

| Risk identified | Our response |
|---|---|
| In April 2019, a collaboration agreement entered into between the Company and AstraZeneca with options for exclusive licences to co-develop oncolytic immunotherapies using the Invir.IO™ platform. This agreement provides for the delivery of five candidates by the Company. Under this agreement, your Company recieved an initial payment of MEUR 8.9 (MUSD 10) for access rights to its platform during the first half of 2019.<br>On December 23, 2019, the first amendment to the agreement was signed, providing for the replacement of two initially selected candidates by two new candidates to be selected by AstraZeneca by March 30, 2020. They will be the subject of a second amendment.<br>As at December 31, 2019, the income in respect of the initial payment recognized under this collaboration represents MEUR 4,0.<br>As stated in Notes 1 and 15 to the consolidated financial statements, the recognition of the income related to the initial payment is based on the progress made in the associated activities and measured in accordance with the costs incurred.<br>The measurement of the income requires management to exercise judgment in its choice of the elements to be taken into account, corresponding to forecasts.<br>The main assumptions taken into account by management in the measurement of the income related to the initial payment notably concern:<br>• the schedule for the development of the candidates;<br>• the estimated costs of the salaries and consumables related to the development of the candidates.<br>We considered the measurement of the income related to the collaboration agreement with AstraZeneca to be a key audit matter, as:<br>• the measurement of the income recognized represents a significant amount as at December 31, 2019;<br>• the determination of the income requires the use of estimates and assessments, notably to measure the estimated costs of the salaries and consumables related to the development of the candidates.<br>Any error in the assessment of these assumptions would have an impact on the estimation of the income to be recognized. We considered the measurement of the income related to the collaboration with AstraZeneca to be a key audit matter as it involves significant exercise of management's judgment. | Our work consisted in examining the methods and assumptions used by management to measure the revenue related to the initial payment. In particular, it consisted in:<br>• analyzing the methods used to measure the estimated overall costs related to the agreement, including the measurement of personnel costs, the necessary hours to perform the studies and the costs of consumables, by considering their consistency with, on the one hand, the budgets and forecasts drawn up by management and presented to the Board of Directors and, on the other hand, our knowledge of the sector, acquired notably during interviews with management;<br>• studying the valuation of the actual hours worked during financial year 2019 and the actual timesheets as at December 31, 2019;<br>• assessing the consistency of the schedule for the development of candidates not yet performed in relation to the actual schedule for the first candiates, and on the basis of interviews with management and the project manager.<br>Finally, we examined the appropriateness of the information disclosed in the notes to the consolidated financial statements. |

### MEASUREMENT AND RECOVERABILITY OF THE EARN-OUT ASSET RELATING TO THE SALE OF JENNEREX, INC.'S EQUITY SECURITIES

| Risk identified | Our response |
|---|---|
| In 2014, the Group sold the equity securities that it held in Jennerex, Inc. to SillaJen. This sale resulted in a selling price composed of a fixed part payable upon the signature of the sale and a variable part consisting of future milestones based on events related to the product development preogress and subject to conditions, considered as a financial asset measured at amortized cost and re-valued annually according to variations in the expected flows.<br>As at December 31, 2019, this receivable was valued at MEUR 2, taking into account the best possible estimate of the dates on which payment milestones would be achieved. Such dates could extend to 2024. These future cash flows were discounted and their probability was calculated. As the milestones are payable in US dollars, the valuation of the receivable is directly impacted by fluctuations in the euro/dollar exchange rate.<br>In addition, as stated in Note 9 to the consolidated financial statements, in the absence of payment by SillaJen of the earn-outs due since 2017, Fortis, the representative of the former Jennerex's shareholders, decided in September 2018 to take legal action against SillaJen for non-payment. Based on the timing of the judicial inquiry, your Group considers that the payments owed to it will not be made before the end of 2021.<br>We considered the valuation of this receivable to be a key audit matter, as:<br>• the determination of the recoverable amount of this receivable requires the use of assumptions, estimates and assessments;<br>• this receivable represents a signifcant amount as at December 31, 2019;<br>• and in view of the dispute described above. | We examined the methods of implementation of the valuation model applied and we assessed the main estimates and assumptions used relating to the development of the products concerned by the milestones. Our work consisted notably in:<br>• comparing the valuation model used with that applied the previous year;<br>• examing the qualitative and quantitative criteria triggering the milestone payments used in the valuation model on the basis of those provided for contractually;<br>• examining the dates of receipt of the milestone payments, which notably impact the classification of this receivable as a current or non-current asset, based on the data available at group level concerning the progress of the various milestones;<br>• assessing the financing rate used to discount the payments to be made by SillaJen based on the payment milestones;<br>• assessing the discount rate used by management, by comparing it with our own estimate of this rate, set with the assistance of our valuation specialists and through analysis of the various parameters;<br>• examining the dollar to euro rate used for the valuation.<br>In addition, regarding the dispute with SillaJen, we obtained un understanding of the risk analysis performed by the Group and its advisers, the corresponding documentation and the proceedings conducted by Fortis, and we examined the position adopted by management.<br>Finally, we also assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements, in particular the sensitivity analyses presented. |

## Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the group given in the Board of Directors' management report approved on 11 March 2020. Regarding the events that occurred and the elements known after the date of approval of the consolidated financial statements relating to the effects of the Covid-19 crisis, Management has informed us that such events and elements will be communicated to the Annual General Meeting.

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

# Report on Other Legal and Regulatory Requirements

## Appointment of the Statutory Auditors

We were appointed as statutory auditors of Transgene S.A. by your Annual General Meeting held on May 24, 2016 for GRANT THORNTON and on May 29, 1996 for ERNST & YOUNG et Autres.

As at December 31, 2019, GRANT THORNTON was in its fourth year of total uninterrupted engagement and ERNST & YOUNG et Autres was in its twenty-fourth year of total uninterrupted engagement (including twenty-two years since the securities of the Company were admitted to trading on a regulated market).

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

# Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

## Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

## Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Lyon and Paris-La Défense, March 31, 2020

The Statutory Auditors

*French original signed by*

| **GRANT THORNTON** | **ERNST & YOUNG et Autres** |
|---|---|
| *French Member of Grant Thorntom International* | |
| Françoise Méchin | Cédric Garcia |

# 4.3 ANNUAL FINANCIAL STATEMENTS AND NOTES

## 4.3.1 Annual financial statements

### BALANCE SHEET – ASSETS

| *(in € thousands)* | *Notes* | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| Intangible assets, at cost | | 4,427 | 4,384 |
| (accumulated depreciation and provisions) | | (4,280) | (4,204) |
| **Intangible assets – net** | *12* | **147** | **180** |
| Property, plant and equipment: | | | |
| Land | | 584 | 584 |
| Fixtures and fittings | | 1,424 | 1,314 |
| Laboratory equipment | | 9,859 | 9,625 |
| Office and computer equipment | | 1,655 | 1,614 |
| Assets in progress | | 793 | 71 |
| Total property, plant and equipment, at cost | | 14,315 | 13,208 |
| (accumulated depreciation, amortization and provisions) | | (8,744) | (8,390) |
| **Property, plant and equipment – net** | *11* | **5,571** | **4,818** |
| **Financial assets – net** | *13* | **43,210** | **45,399** |
| **Total fixed assets** | | **48,928** | **50,397** |
| Inventories | *7* | - | 443 |
| Trade receivables | *8* | 2,324 | 784 |
| Research tax credits and competitiveness and employment tax credits due | *22* | 6,981 | 25,887 |
| Recoverable VAT and income tax receivables and other tax receivables | | 1,085 | 312 |
| Other receivables, including centralized treasury | *9* | 42,682 | 15,144 |
| Available cash, cash equivalents | *6* | 1,317 | 1,858 |
| **Total current assets** | | **54,389** | **44,428** |
| Prepaid expenses | *19* | 2,742 | 3,279 |
| Currency translation difference | | - | - |
| **TOTAL ASSETS** | | **106,059** | **98,104** |

## BALANCE SHEET - LIABILITIES

| *(in € thousands)* | *Notes* | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| Subscribed capital | *14* | 83,265 | 62,276 |
| Share premiums | *28* | 31,316 | 506,990 |
| Reserves | *28* | 2,283 | 652 |
| Retained earnings | | (36,884) | (537,927) |
| Profit/(loss) for the period | | (22,008) | 1,043 |
| Statutory provisions | | - | - |
| **Equity** | ***14*** | **57,972** | **33,034** |
| Conditional advances | *15* | 16,183 | 20,446 |
| Financial Liabilities | *16* | 10,875 | 31,960 |
| Provisions for pensions | | 4,377 | 4,178 |
| Other provisions for risks and charges | | 936 | 74 |
| **Provisions for risks and charges** | ***17*** | **5,313** | **4,252** |
| Payables | | 7,093 | 4,791 |
| Accrued employee benefits and tax expense | | 3,663 | 2,967 |
| Other liabilities | | 7 | 163 |
| **Payables** | | **10,763** | **7,921** |
| Prepaid income | *19* | 4,953 | 491 |
| Currency translation difference | | - | - |
| **Liabilities** | | **48,087** | **65,070** |
| **TOTAL LIABILITIES AND EQUITY** | | **106,059** | **98,104** |

## INCOME STATEMENT

| *(in € thousands)* | *Notes* | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| **OPERATING INCOME** | | | |
| Revenue from collaborative and licensing agreements | *3* | 8,102 | 1,817 |
| Research and development grants | | 84 | - |
| Reversals of depreciation and provisions, transfers of expenses | | 366 | 650 |
| **Total operating income** | | **8,552** | **2,467** |
| **OPERATING EXPENSE** | | | |
| Purchases of raw materials and other purchases | | (1,862) | (1,108) |
| Other purchases and external expenses | | (21,252) | (17,597) |
| Income tax, duties and other levies | | (404) | (456) |
| Salaries and wages | | (9,391) | (9,459) |
| Social security expenses | | (4,857) | (4,607) |
| Depreciation, amortization and provisions | | (1,119) | (2,328) |
| Other expenses | | (387) | (535) |
| **Total operating expenses** | | **(39,272)** | **(36,089)** |
| **Operating loss** | | **(30,720)** | **(33,622)** |
| Net finance cost | *4* | 2,997 | (3,477) |
| **Current income/(loss) before tax** | | **(27,723)** | **(37,099)** |
| Net extraordinary income/(expenses) | *5* | (918) | 32,318 |
| Research tax credit (RTC) | *22* | 6,599 | 5,790 |
| Income tax | *22* | 34 | 34 |
| **PROFIT/(LOSS) FOR THE PERIOD** | | **(22,008)** | **1,043** |

## 4.3.2 Notes to the annual financial statements

The notes and tables presented below are an integral part of the annual financial statements. The financial statements at December 31, 2019 show a balance sheet total of €106,059 thousand and a net loss of €22,008 thousand.

# NOTE 1 NATURE OF THE BUSINESS ACTIVITY AND SUMMARY OF ACCOUNTING PRINCIPLES

## Nature of the business activity

Transgene ("the Company") is a French limited liability company (société anonyme) governed by the provisions of French law. It was created in 1979 to apply emerging techniques in genetic engineering in the context of contract research for industrial groups in the fields of molecular and cellular biology, virology, immunology and protein chemistry. The Company designs and develops immunotherapy products for treating cancer.

## Significant accounting policies and changes to methods

The annual financial statements for fiscal year 2019 are presented in accordance with the legal and regulatory requirements in effect in France as described in the national general chart of accounts (French GAAP), and in accordance with generally accepted principles which are the principles of prudence, continuity of operations, consistency in accounting methods, and independence of fiscal years.

Taking into account the capital increase completed in July 2019, the ability to sell the shares in Tasly Biopharmaceuticals by 2022 and the availability of the Natixis credit line for 20 million of euros until June 2022, the Company has financial visibility until 2022. The going concern principle was adopted.

## Recognition of revenue

Transgene's revenue is comprised of revenues from patent licenses and collaborations in research (including the reimbursement of costs incurred by Transgene), development and production.

***Patent licenses***
Revenue from patent licenses generally consists of rights to access technology, paid on signing of the agreement and which is not reimbursable, financing by milestone payments and other payments, such as royalties.

***Non-refundable fees for technology usage rights paid when the license is signed***
When Transgene is not committed to continuing to develop a technology after a license is signed, the fees are recognized as revenue when the Company's contractual obligations have been fulfilled.

When Transgene is committed to continuing to develop a technology after a license is signed or has a future obligation to deliver products, the fees are recognized as revenue over the development period or the product delivery period.

***Milestone payments***
Milestone payments under collaborative agreements are recognized as revenue upon achievement of the incentive milestone events and when Transgene has no future performance obligations related to the payment. Milestone Payments are triggered either by the results of Transgene's research efforts or by events external to Transgene, such as regulatory approvals, the commencement of clinical trials or selection of candidates for drug development.

***Royalties***
Royalties are based on the licensee's sales of products or technologies. They are recognized on the basis of the license terms, when the sales can be reliably measured and recovery of the related receivables is reasonably assured. Provisional estimates of royalties receivable are based on sales statistics and trends.

***Service and manufacturing contracts***
Transgene has entered into certain contracts for the provision of research or manufacturing services on a best-efforts basis.

Transgene bills its services at a pre-agreed rate, generally on a time-spent basis, and billings are recorded as revenue as and when the work is done. Revenue from these contracts is recognized when the services are performed.

Revenue from contracts for manufacturing services, where the Company has an obligation to achieve a specified result, is recognized as revenue on the income statement when a product has successfully undergone quality controls and has been accepted by the customer.

Revenue received but not yet recognized in the income statement based on the above principles is recorded as a liability under "Deferred revenue" and is reclassified to the income statement when the revenue recognition criteria are met.

## Research tax credits (RTC)

Research and development costs entitled the Company to a research tax credit, which is recognized at the end of the fiscal year in which the costs are recognized and the credit is claimed. Unused research tax credits are refundable from the fourth year. The 2016 to 2019 research tax credits will be reimbursed by the tax authorities respectively from 2020 to 2023. In June and July 2019, the Company signed agreements assigning its research tax credits receivable and no longer has any amount receivable from the State. These new agreements are considered deconsolidating, and unlike previous RTC financing, no liability is recognized in connection with this financing received.

## Cash and cash equivalents

The Company considers as cash and cash equivalents and marketable securities its liquid investments, which can be bought or sold at any time based on prices that are determined on a daily basis, and which have no material interest or risk. Marketable securities are comprised of shares of mutual funds mostly invested in underlying monetary assets, bonds and long-term government bonds. Marketable securities are valued at a cost, which is the lower of the first in/first out method or market value.

## Property, plant and equipment

Property, plant and equipment are measured at cost. Depreciation is recognized in the income statement according to the probable useful lives, as follows:

| Type of asset | Depreciation method | Period |
|---|---|---|
| Buildings | Straight-line | 20-50 years |
| Fixtures and fittings | Straight-line | 10-20 years |
| Machinery and equipment (machinery and laboratory equipment) | Straight-line | 5-10 years |
| Office equipment and furniture | Straight-line | 5-10 years |
| IT equipment | Straight-line | 3-5 years |

## Share issue costs

Share issue costs are charged to share premiums.

## Research and development costs

Expenses for applied research and development include the direct and indirect costs incurred on the projects, excluding any allocation of overhead. The direct and indirect costs refer primarily to the salaries of researchers and research technicians, the depreciation expense on assets used and on the cost of materials and other services used.

Research costs are recognized as an expense on the income statement for the period in which they are incurred.

Development costs are capitalized when the required conditions are met.

The Company believes that the costs incurred in developing its pharmaceutical products are equivalent to research costs until a marketing authorization request is filed with regulatory authorities. After that, they are considered to be development costs. No Company product received a market authorization in 2019.

## Other intangible assets

Intangible assets mainly comprise licenses, acquired patents and computer software.

| *Type of intangible asset* | *Depreciation method* | *Period of depreciation* |
|---|---|---|
| *Computer software and licenses* | Straight-line | 1-5 years |
| *Patents acquired* | Straight-line | 5 years |

## Equity securities

Investments in non-consolidated companies are recorded at cost and depreciated, as needed, if their carrying value exceeds their recoverable amount as estimated by the Company.

## Equity Securities

Equity securities are recorded at cost and depreciated, as needed, if their carrying value exceeds their recoverable amount as estimated by the Company. They correspond to the shares in Tasly BioPharmaceuticals, acquired in July 2018 as counterparty in the sale of the 50% stake held in the joint venture Transgene Tasly (Tianjin) Biopharmaceuticals Co. Ltd, along with the patent rights for TG1050 for Greater China. At each balance sheet date, the Company performs an impairment test. These shares were valued by an independent firm as at December 31, 2019, which confirmed the absence of impairment.

## Trade receivables

Other financial assets are comprised of deposits and guarantees regarding property rentals and the holdback related to the assignment of debt under the research tax credit and the competitiveness and job creation tax credit. Deposits and guarantees are measured at cost and depreciated as needed to reflect their net realizable value. The Company uses a liquidity contract with a bank partner, making €500 thousand available. In late December 2019 the liquidity contract was transferred from Kepler Cheuvreux to Natixis Oddo BHF SCA. The new contract took effect from January 2, 2020.

## Prepaid expenses and other current assets

Prepaid expenses and the other current assets are measured at cost and may be impaired to reflect their net realizable value.

## Provisions for contingencies and charges and provisions for pensions and other post-employment benefits

Provisions are recorded to cover contingencies and charges arising in the course of our business. With regard to provisions for pensions and other post-employment benefits, in particular, the rights acquired by serving employees are estimated according to actuarial evaluations, taking into account mortality rates, future salary levels and the probability of employees remaining with the Company until retirement.

The Company recognizes actuarial gains and losses using the corridor method. In line with the application of ANC recommendation No. 2013-02 as of December 31, 2014, actuarial gains or losses related to experience and changes in assumptions are amortized in future expenses over the remaining probable average active period for employees, after applying a corridor of 10% of the greater of the value of commitments and the value of the hedging asset.

## Conditional advances

Conditional advances are only reimbursed if the research and development projects that they finance are successful, according to criteria set out in advance with the funding body. These advances are recognized in financial liabilities.

Reimbursable advances received under the ADNA program are recorded based on the discounted expected future reimbursements. The reimbursement of advances is subject to the fulfillment of a revenue threshold on TG4010 and TG4001 products predetermined for the following five years, and in proportion to the revenue from these products until a reimbursement ceiling is reached, or up until 2035.

The Company regularly evaluates direct and indirect revenue linked to each of the products to estimate future cash flows from the reimbursement of advances. This revenue is evaluated based on business plans that have been discounted for these two products and by a applying a comparable rate for this type of debt. The impact of this regular re-estimate is recorded in Net financial cost at the end of the fiscal year.

The main assumptions reviewed in the product business plans are as follows:

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

## Foreign exchange

Cash liquidity in foreign currencies is converted into euros at the exchange rate on the balance sheet date. The resulting conversion differences are recognized in the income statement.

Receivables and payables in foreign currencies are converted into euros at the exchange rate on the balance sheet date. The resulting conversion differences are recognized under “exchange rate gains/losses” on the balance sheet (under assets for unrealized losses, under liabilities for unrealized gains).

Unrealized losses are booked in a provision for risks under expenses for the year in provisions for risks and financial expenses.

The Company does not have a foreign currency hedging instrument.

## Income tax expense

Income tax expenses correspond to taxes due calculated at the standard rate in use at year-end, taking into account the research tax credit.

The underlying tax position is calculated on the basis of the differences between the tax values and carrying amount of assets and liabilities presented in the balance sheet. These differences are determined according to the tax provisions and discounted tax rates when these differences are inverted.

### Tax Credit for Competitiveness and Employment (CICE)

The CICE, if any, is recognized as a decrease under Employee benefits expenses. This amendment was rejected in 2019.

Since the tax situation of the Company does not make it possible to deduct the tax credit from any taxable profits for the period, this CICE receivable will not be paid by the State until the end of the following three fiscal years.

Transgene received bank pre-financing for this receivable, and the proceeds on this asset were used to extend the Company's working capital.

## NOTE 2 CHANGE IN ACCOUNTING METHODOLOGY

None.

## NOTE 3 OPERATING INCOME

### REVENUE

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Research and development services | 6,590 | 1,301 |
| Licenses | 63 | 35 |
| Other income from ancillary activities | 1,449 | 481 |
| **TOTAL** | **8,102** | **1,817** |

In April 2019, the Company entered into a collaboration agreement with AstraZeneca with exclusive licensing options to co-develop oncolytic immunotherapies derived from the Invir.IO™ platform. In the first half of 2019 Transgene thus received €8.9 million (US$10 million) in fees for access to its platform. Pursuant to French accounting principles and inasmuch as Transgene has not transferred control of a pre-existing intellectual property and as AstraZeneca receives the benefits of the licensed rights as and when the Research Plan is carried out, this initial payment is recognized in income against the progress of the associated activities and measured against the costs incurred by Transgene to carry out its contractual obligations. This agreement provides for additional revenue as and when preclinical milestones are met. Transgene is eligible to receive an option exercise payment on each candidate in the event AstraZeneca exercises one or several license options, as well as development and commercial milestones and royalties.

The assumptions used by Management in the measurement of revenue related to the initial payment primarily concern:

- the schedule for the development of candidates;
- the budget of wage costs and consumables related to candidate development.

On December 23, 2019, a first amendment to the contract was signed, providing for the replacement of two initially selected candidates, by two new candidates that will be selected by AstraZeneca before March 30, 2020 and will be subject to a second amendment. At that date, one candidate had been developed and two other were under development. It was decided not to continue with the development of these two candidates, although the on-going development gives Transgene the right to receive option exercise payments as defined in the initial contract. On December 31, 2019, Transgene re-estimated the overall budget for the program and its progress. The income related to the initial payment recognized at December 31, 2019 was assessed on the basis of this revised budget and program progress.

Over the period, the income recognized under this collaboration agreement was €5,344 thousand. Of this amount €3,978 thousand reflects recognition of the initial payment for work done during the period. The €4,923 thousand balance not recognized at this time was recorded in Prepaid income at December 31, 2019. The Company also received €1,366 thousand for achieving preclinical milestones.

# NOTE 4 FINANCIAL INCOME/(LOSS)

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **FINANCIAL INCOME** | | |
| Income from other securities and fixed asset receivables | 8 | 12 |
| Impact of the remeasurement Financial assets/Liabilities | 4,504 | - |
| Interest and related income | 156 | 136 |
| Reversals of provisions and transfers of expenses | 14 | 4 |
| Positive exchange rate differences | 1 | 9 |
| **Total financial interest income** | **4,683** | **161** |
| **FINANCIAL EXPENSE** | | |
| Financial amortization and provisions | 123 | 1,700 |
| Interest and related expenses | 1,397 | 1,935 |
| Negative exchange rate differences | 166 | 3 |
| **Total financial expenses** | **1,686** | **3,638** |
| **FINANCIAL INCOME/(LOSS)** | **2,997** | **(3,477)** |

Financial income refers primarily to the income generated by remeasuring the liability for reimbursable ADNA advances (€4,504 thousand). Following the decision made in December 2019 to cease development of the product TG4010, the liability for reimbursable advances under the ADNA program was reduced sharply to €15,942 thousand, as against €20,446 thousand at December 31, 2018. The €15,942 thousand figure represents the amount received by Transgene.

Interest and related expenses involved:

- bank interest on the loan received from the EIB (€803 thousand in 2019);
- bank interest on financing the RTCs from 2016 to 2018 (€267 thousand);
- and bank interest on the Natixis credit facility of €182 thousand.

# NOTE 5 NON-RECURRING ITEMS

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **EXTRAORDINARY INCOME** | | |
| Extraordinary income on management operations | 162 | 26 |
| Extraordinary income on equity operations | 17 | 35,665 |
| Reversals of provisions and transfers of expenses | 875 | 1,240 |
| **Total extraordinary income** | **1,054** | **36,931** |
| **EXTRAORDINARY EXPENSES** | | |
| Extraordinary expenses on management operations | 94 | 300 |
| Extraordinary expenses on equity operations | 986 | 4,313 |
| Provisions and transfers of expenses | 892 | - |
| **Total extraordinary expenses** | **1,972** | **4,613** |
| **NON-RECURRING ITEMS** | **(918)** | **32,318** |

Extraordinary income refers primarily to the reversal of a provision for impairment of the Transgene Shanghai subsidiary in the amount of €875 thousand. Extraordinary expenses on equity operations relate to the liquidation of the subsidiary in the amount of €875 thousand.

At December 31, 2019 in the wake of the decision to cease development of TG4010, an accounting provision of €892 thousand was created for the still un-incurred costs of this product's clinical trial in progress.

In 2018, Transgene obtained shares in Tasly BioPharmaceuticals for the amount of U.S.$48 million, in return for the assignment of a portion of its interest in the joint venture Transgene Tasly (Tianjin) BioPharmaceuticals Co. Ltd., which held the rights to T601, and the assignment of T101 patent rights in Greater China.

This U.S. $48 million equaled €41,458 thousand and broke down as follows:

- €35,611 thousand corresponding to the sale of rights to TG1050 in Greater China to Tasly BioPharmaceuticals;
- €5,847 thousand corresponding to the disposal of the interest in the joint venture Transgene Tasly (Tianjin) BioPharmaceuticals Co. Ltd.

Thus, extraordinary income in 2018 consisted largely of proceeds from sale of rights on TG1050 in Greater China to Tasly BioPharmaceuticals for €35,611 thousand and the €1,240 thousand reversal of provisions for impairment of its shares. Extraordinary expenses connected with this transaction were €4,286 thousand. The Company had invested €10,133 thousand in the Transgene Tasly (Tianjin) BioPharmaceuticals Co. Ltd. joint venture and sold its stake for €5,847 thousand.

## NOTE 6 CASH AND MARKETABLE SECURITIES

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Cash | 1,309 | 837 |
| Marketable securities | 8 | 1,021 |
| **TOTAL** | **1,317** | **1,858** |
| Unrecognized unrealized gains or losses | - | - |

In 2019, marketable securities were composed of short-term mutual fund units.

## NOTE 7 STOCKS

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Raw materials | - | 327 |
| Laboratory supplies | - | 116 |
| **Total gross** | **-** | **443** |
| Provision for obsolescence | - | - |
| **NET TOTAL STOCKS** | **-** | **443** |

The Company no longer has inventories at December 31, 2019. Inasmuch as the Company is engaged solely in research and development, costs are recognized directly in the period's expenses.

## NOTE 8 TRADE RECEIVABLES

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Total gross | 3,451 | 1,868 |
| Provisions for impairment | (1,127) | (1,084) |
| **NET TOTAL TRADE RECEIVABLES** | **2,324** | **784** |

The principal receivables are €1,335 thousand from AstraZeneca, €1,416 thousand from ElsaLys Biotech SA and €419 thousand from BioInvent.

The provisions for impairment correspond to the impairment of the receivables of ElsaLys Biotech SA.

## NOTE 9 OTHER RECEIVABLES

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Institut Mérieux centralized cash (cash pool) | 42,027 | 15,015 |
| Accrued credit notes (trade credit) | 220 | 101 |
| Employee benefits expense | 35 | 26 |
| Grant receivable | 61 | - |
| Other receivables, non-current portion | 339 | 2 |
| **OTHER RECEIVABLES** | **42,682** | **15,144** |

Contractually, investments made by the Company as part of the centralized cash management at Institut Mérieux are liquid within a maximum period of four business days and bear interest based on a rate equal to Euribor +0.25% when Institut Mérieux is in a net borrowing position at the Group level and to Euribor when Institut Mérieux is in a net surplus at the Group level.

## NOTE 10 ACCRUED INCOME

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Accrued income – customers | 626 | 438 |
| VAT credit | 973 | 271 |
| VAT on accrued invoices | 339 | 108 |
| **TOTAL ACCRUED INCOME** | **1,938** | **817** |

## NOTE 11 PROPERTY, PLANT AND EQUIPMENT

| *(in € thousands)* | 12/31/2018 | Increase | Decrease | 12/31/2019 |
|---|---|---|---|---|
| **ACQUISITION COSTS** | | | | |
| Land | 584 | - | - | 584 |
| Buildings and fixtures | 1,314 | 150 | (40) | 1,424 |
| Laboratory equipment | 9,625 | 581 | (347) | 9,859 |
| Office and computer equipment | 1,614 | 60 | (19) | 1,655 |
| Assets in progress | 71 | 722 | - | 793 |
| **Total** | **13,208** | **1,513** | **(406)** | **14,315** |
| **DEPRECIATION AND PROVISIONS** | | | | |
| Buildings and fixtures | (533) | (103) | 34 | (602) |
| Laboratory equipment | (6,394) | (539) | 295 | (6,638) |
| Office and computer equipment | (1,463) | (62) | 21 | (1,504) |
| Assets in progress | - | - | - | - |
| **Total** | **(8,390)** | **(704)** | **350** | **(8,744)** |
| **NET TOTAL PROPERTY, PLANT AND EQUIPMENT** | **4,818** | **809** | **(56)** | **5,571** |

# NOTE 12 INTANGIBLES ASSETS

| *(in € thousands)* | 12/31/2018 | Increase | Decrease | 12/31/2019 |
|---|---|---|---|---|
| **ACQUISITION COSTS** | | | | |
| Licenses and acquired patents | 1,788 | - | - | 1,788 |
| Other intangible assets | 2,596 | 43 | - | 2,639 |
| Assets in progress | - | - | - | - |
| **Total** | **4,384** | **43** | **-** | **4,427** |
| **DEPRECIATION AND PROVISIONS** | | | | |
| Licenses and acquired patents | (1,722) | (17) | 2 | (1,737) |
| Other intangible assets | (2,482) | (61) | - | (2,543) |
| **Total** | **(4,204)** | **(78)** | **2** | **(4,280)** |
| **NET TOTAL INTANGIBLE ASSETS** | **180** | **(35)** | **2** | **147** |

# NOTE 13 FINANCIAL ASSETS

| *(in € thousands)* | 12/31/2018 | Increase | Decrease | 12/31/2019 |
|---|---|---|---|---|
| Equity securities | | | | |
| ▪ Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd. | 875 | - | (875) | - |
| ▪ ElsaLys Biotech SA | 1,694 | - | - | 1,694 |
| ▪ Transgene Inc. | 23 | - | - | 23 |
| ▪ Access Investment, Inc. | 29 | - | - | 29 |
| **Total** | **2,621** | **-** | **(875)** | **1,746** |
| Guarantees and deposits | 3,918 | 945 | (3,061) | 1,802 |
| Tasly BioPharmaceuticals securities | 41,458 | - | - | 41,458 |
| Depreciation | (2,598) | - | 875 | (1,723) |
| Impairment of non-current financial assets | - | (73) | - | (73) |
| **NET TOTAL FINANCIAL ASSETS** | **45,399** | **872** | **(3,061)** | **43,210** |

## Equity securities

### ElsaLys Biotech SA

In 2019, the Company owned 8.25% of the equity in ElsaLys Biotech SA. As at December 31, 2018 the Company fully depreciated its stake in ElsaLys Biotech SA for an amount of 1,694 thousand, due to the financial difficulties encountered by the latter.

### Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd.

The subsidiary Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd. was liquidated in the first half of 2019. It had already been fully impaired (€875 thousand).

### Access Investment, Inc.

The Company has an investment in Access Investment In the amount of €29 thousand. This investment is fully impaired.

### Transgene, Inc.

The Company has an investment in Transgene, Inc. in the amount of €23 thousand.

## Guarantees and deposits

Guarantees and deposits consist largely of holdbacks related to the financing of the RTCs and the CICE. The €945 thousand increase in 2019 mainly corresponds to the holdbacks on the sale of the 2016, 2017 and 2018 RTC receivables. The €3,061 thousand decrease in 2019 relates, on the one hand, to the amount paid to the credit institution for the financing of the 2016 and 2017 RTCs (€1,749 thousand) and, on the other, to the repayment of the holdbacks for the 2015 RTC and CICE (€1,205 thousand).

## Equity Securities

As part of the agreements with Tasly BioPharmaceuticals in July 2018, Transgene received 27.4 million shares in this company, that is 2.53% of its share capital, which is valued at $48 million (€41,458 thousand) as at the date of the transaction. This transaction occurred on the occasion of a capital increase, to which institutional funds contributed cash, at the same subscription price as the Company.

Transgene, the institutional funds, Tasly BioPharmaceuticals and its parent company Tasly Holding Group have 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 disposal by a shareholder, Tasly Holding Group undertakes to buy the shares subscribed by Transgene in the event the IPO does not take place within two years, at the initial subscription price plus an annual contractual rate.

The Company believes that no sign of impairment existed as at December 31, 2019.

The main assumptions used by management in measuring value in use as at December 31, 2019 were based on the assumptions obtained from Tasly BioPharmaceuticals that were used to value the company at the time of its pre-listing refinancing in July 2018 during which the Company became a shareholder, and concern:

- the estimate of the future cash flows that will be generated by the companies held and notably by the products being developed;
- the probable technical success of the products being developed and their approval by the regulatory authorities;
- the market potential for these products being developed;
- the value of the shares according to the latest capital transactions;
- The discount rate used by management.

The Company had an independent consulting firm review and update the assumptions at the closing date, on the basis of the information provided by Tasly BioPharmaceuticals including the interim financial statements at September 30, 2019 and the Company's presentation of December 2019. The financial statements at December 31, 2019 were not available as of the end of the reporting period due to the challenging environment in China as a result of Covid-19. Impairment is recognized when the net carrying amount of this investment is higher than its recoverable amount. The valuation of these securities was directly impacted by the fluctuation of the euro/U.S. dollar parity as well as the WACC used. A 10% rise in the U.S. dollar would increase the value of the securities by 11%. A 10% fall in the U.S. dollar would decrease it by 9%. A 0.50% increase in the WACC would have a negative impact of 6% on the value of these securities and a decrease of 0.50% in the WACC would have a positive impact of 6% on the securities.

# NOTE 14 EQUITY

## General information

At December 31, 2019, the number of outstanding shares of Transgene was 83,265,464, representing share capital of €83,265,464.

## Preferential subscription rights

Shareholders have preferential subscription rights during capital increases in proportion to their existing interests. This right may be waived in certain circumstances by a resolution voted in an Extraordinary General Meeting. Preferential subscription rights that have not been waived are negotiable during the subscription period.

## Stock options

As of the date of this Registration Document, two stock option plans have been authorized by the Annual General Shareholders' Meeting, in 2008 and 2010, respectively, and were implemented by the Board of Directors. No stock options have been awarded since 2012. The status of these plans at December 31, 2019 is summarized in the following table.

| Grant date | Exercise start date | Expiration date | Exercise price | Number of options granted | Number of options exercised in 2019 | Number of options remaining to be exercised at 12/31/2019 * |
|---|---|---|---|---|---|---|
| 10/4/2007 | 10/5/2012 | 10/5/2017 | 16.105 | 62,180 | 0 | 0 |
| 12/19/2007 | 12/20/2012 | 12/20/2017 | 15.021 | 6,760 | 0 | 0 |
| 12/16/2008 | 12/17/2014 | 12/17/2018 | 11.005 | 178,676 | 0 | 0 |
| 12/9/2009 | 12/10/2015 | 12/10/2019 | 17.122 | 76,907 | 0 | 0 |
| 12/7/2010 | 12/8/2015 | 12/8/2020 | 14.198 | 321,054 | 0 | 215,460 |
| 12/13/2012 | 12/14/2017 | 12/14/2022 | 7.859 | 92,578 | 0 | 41,532 |
| **TOTAL** | **N/A** | **N/A** | **N/A** | **N/A** | **0** | **256,992** |

* *This amount includes adjustments, in terms of the number of options and the exercise price, in accordance with regulations, following the capital increases maintaining preferential subscription rights of shareholders conducted in 2016 and 2019.*

## Free share plans

Three free share plans allocations of shares were outstanding at the date of this Registration Document, adopted by the Board of Directors in 2018 and 2019 for all employees and executive corporate officers under a delegation granted by the Annual General Shareholders' Meeting of May 24, 2016 (the 2016 Plan), May 23, 2018 (the 2018 Plan) and May 22, 2019 (the 2019 Plan).

The status of these plans at December 31, 2019 is summarized in the following table:

| | | | 2016 plan |
|---|---|---|---|
| General Meeting date | | | 5/24/2016 |
| Total number of shares authorized by the meeting | | | 600,000 |
| | **2016 allocation** | **2017 allocation** | **2018 allocation** |
| Of which allocations granted, during the year, by the issuer and by any company included in the scope of the allocation to corporate officers. | 37,800 | 31,000 | 34,600 |
| Of which, grants made during the year by the issuer and by any company in the scope of awards, to the ten non-corporate officer employees of the issuer and of any company within this scope, whose number of free shares awarded is greatest. | 73,000 | 49,400 | 85,000 |
| Board of Directors meeting date | 5/24/2016 | 03/17/2017 | 03/21/2018 |
| Total number of bonus shares allocated | 207,550 | 183,000 | 220,600 |
| Balance at 12/31/2019 | 200,733 | 179,800 | 219,582 |
| Of which: number of shares allocated to corporate officers and members of the Executive Committee | 92,800 | 72,000 | 104,600 |
| Final grant date | 5/24/2018 | 3/17/2019 | 3/21/2020 |
| Expiration date of the lock-up period | 5/24/2020 | 3/17/2021 | 3/21/2022 |
| Share value on the date of allocation (opening price on the date of allocation) | €2.71 | €2.63 | €3.15 |

| | **Plan 2018** * | **Plan 2019** |
|---|---|---|
| General Meeting date | 5/24/2018 | 5/22/2019 |
| Total number of shares authorized by the meeting | 1,200,000 | 2,000,000 |
| | **Grant March 2019 allocation** | **Grant September 2019 allocation** |
| Of which allocations granted, during the year, by the issuer and by any company included in the scope of the allocation to corporate officers. | 77,500 | 350,000 |
| Of which, grants made during the year by the issuer and by any company in the scope of awards, to the ten non-corporate officer employees of the issuer and of any company within this scope, whose number of free shares awarded is greatest. | - | 628,236 |
| Board of Directors meeting date | 3/20/2019 | 9/18/2019 |
| Total number of bonus shares allocated | 414,800 | 1,399,774 |
| Balance at 12/31/2019 | 416,733(**) | 1,399,774 |
| Of which: number of shares allocated to corporate officers and members of the Executive Committee | 192,000 | 840,000 |
| Final grant date | 4/20/2020 | 3/30/2022 |
| Expiration date of the lock-up period | 4/20/2021 | 3/30/2022 |
| Share value on the date of allocation (opening price on the date of allocation) | €2.98 | €1.78 |

*(*) The unallocated shares from the 2018 Plan were canceled during the Shareholders' Meeting of 05/22/2019.*
*(**)This amount takes into account the adjustments in the number of shares carried out in accordance with allocation regulations, following the capital increases maintaining preferential subscription rights of shareholders conducted in 2019.*

**Grant conditions**

- Grant of March 2018: the shares are definitively granted 13 months after their allocation to employees who are still with the Company.
- Grant of March 2019: the shares are definitively granted 13 months after their allocation to employees who are still with the Company.
- Grant of September 2019: the shares are definitively granted 30 months after their allocation to employees who are still with the Company. The Executive Committee received 840,000 free shares during this grant. Performance conditions have been defined for half of these shares. These conditions will be assessed in March 2022.

As at December 31, 2019, the bonus shares awarded and not issued represent a potential dilution of 2,036,089 shares; the shares and options awarded and not exercised represent a potential dilution of 256,992 shares, giving a total of approximately 3% of the Company's share capital.

## Changes in equity

| *(in € thousands)* | Capital stock | Premiums | Reserves | Retained earnings | Result | Statutory provisions | Equity |
|---|---|---|---|---|---|---|---|
| **At 12/31/2018** | **62,276** | **506,990** | **652** | **(537,927)** | **1,043** | **-** | **33,034** |
| Increase of share capital | 20,816 | 26,130 | - | - | - | - | 46,946 |
| Share-based payments | 173 | (1,804) | 1,631 | - | - | - | - |
| Net income/(loss) 2018 | - | | | 1,043 | (1,043) | - | - |
| Net income/(loss) 2019 | | | | | (22,008) | * | (22,008) |
| Allocation of share premium | | (500,000) | | 500,000 | | - | - |
| **At 12/31/2019** | **83,265** | **31,316** | **2,283** | **(36,884)** | **(22,008)** | **-** | **57,972** |

# NOTE 15 CONDITIONAL ADVANCES

## ADNA

At December 31, 2019, conditional advances referred to repayable advances received under the ADNA ("Advanced Diagnostics for New therapeutic Approaches") program, which receives public funding from Bpifrance to develop 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.

At closing, the Company re-values its reimbursable advances received under the ADNA program in accordance with the discounted expected future reimbursements as discussed in Note 1 to the Annual financial statements.

The reimbursement of advances is subject to the fulfillment of a revenue threshold on TG4010 and TG4001 products predetermined for the following five years, and in proportion to the revenue from these products until a reimbursement ceiling is reached, or up until 2035. The expected discounted future reimbursements are thus estimated on the basis of an evaluation of future direct and indirect revenue associated with the TG4010 and TG4001 products being developed. The remaining assumptions used by Management in the measurement of the liability from reimbursable advances primarily concern:

- the schedule for the development and marketing of the products;
- 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.

Following the decision made in December 2019 to cease development of the product TG4010, the liability for reimbursable advances under the ADNA program was remeasured and its amount brought down to €15,942 thousand (as against €20,446 thousand at December 31, 2018), which represents the amount received by Transgene.

## NEOVIVA

In 2019, Transgene acts as lead company in a new research program, NEOVIVA, supported by Bpifrance. The Company could receive up to €2,372 thousand in reimbursable advances. At December 31, 2019, reimbursable advances received were measured in the amount of €241 thousand.

# NOTE 16 FINANCIAL LIABILITIES

## Financing of tax credits

In June and July 2019, the Company signed agreements to sell its 2016, 2017 and 2018 research tax credit receivables to a banking institution for 95% of their value—respectively €5,982 thousand, €5,127 thousand and €5,501 thousand—and no longer has any amount receivable from the State. These new agreements are considered deconsolidating, and unlike previous RTC financing, no liability is recognized in connection with this financing received.

## European Investment Bank (EIB) loan

In 2016, the Company obtained a €20 million credit facility from the European Investment Bank (EIB) under the IDFF (Infectious Diseases Finance Facility). The first €10 million tranche was drawn down on June 20, 2016. The second €10 million tranche, exercisable until December 31, 2017, was not drawn down by the Company.

The loan is a bullet loan due at the end of a five-year term, i.e. on June 20, 2021. The accumulated interest of the first three years was paid in June 2019 in the amount of €2,250 thousand. At December 31, 2019, interest on the EIB loan was €448 thousand. No guarantee was provided by the Company for this loan.

## Natixis credit facility

In April 2019 the Company signed a revolving credit agreement with Natixis, capped at €20 million, which can be drawn down once or on several occasions. As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This loan agreement runs until June 2022 and, as is typical of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest. At December 31, 2019, the Company had not drawn down on this credit facility. The fees for undrawn amounts were €61 thousand.

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Financing of RTC | - | 19,412 |
| Financing of CICE | 366 | 652 |
| Interest on bank loan | 509 | 1,896 |
| Bank loans | 10,000 | 10,000 |
| **TOTAL FINANCIAL LIABILITIES** | **10,875** | **31,960** |

# NOTE 17 PROVISIONS FOR RISKS AND CHARGES

| *(in € thousands)* | 12/31/2018 | Provisions | Retained earnings | Reversals not applicable | Use of the provision | 12/31/2019 |
|---|---|---|---|---|---|---|
| Exchange rate differences | 2 | 36 | - | - | - | 38 |
| Provisions for expenses | 72 | 893 | - | - | (67) | 898 |
| Pension obligations | 4,178 | 296 | - | (30) | (67) | 4,377 |
| **Provisions for risks and liabilities** | **4,252** | **1,225** | **-** | **(30)** | **(134)** | **5,313** |
| Of which allocations and reversals: | | | | | | |
| Operating | (322) | 297 | - | (30) | (134) | (189) |
| Financial | 127 | 36 | - | - | - | 163 |
| Extraordinary | - | 892 | - | - | - | 892 |

At December 31, 2019, following the decision to cease development of TG4010, an accounting provision of €892 thousand was created for the still un-incurred costs of this product's clinical trial in progress.

The provision for liabilities at December 31, 2018 consisted primarily of the risk of normal compliance with payroll taxes. It was used during the first half of 2019.

The above provisions for pension obligations correspond to the estimated current value of the share capital equivalent to accrued future payments, depending on length of service and level of compensation when an employee retires, on the basis of the following actuarial calculation assumptions at December 31, 2019:

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Discount rate | 0.80% | 1.70% |
| Rate of future salary increases | 1.50% | 1.50% |
| Retirement age: | | |
| ▪ managers | 65 years | 65 years |
| ▪ non-managers | 63 years | 63 years |

The provision entered on the balance sheet concerns only retirement payments for serving employees.

The following table summarizes the conditions and amounts of actuarial pension obligations at December 31, 2019 and 2018:

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **CHANGE IN THE VALUE OF COMMITMENTS** | | |
| Projected benefit obligation at January 1 | 3,778 | 3,710 |
| Cost of services rendered for the year | 237 | 241 |
| Cost of discounting | 59 | 58 |
| Change in assumptions | 250 | - |
| Reductions/terminations | - | - |
| Actuarial (gain)/loss | 170 | 54 |
| Benefits paid during the year | (67) | (285) |
| **Projected benefit obligation for retirement** | **4,427** | **3,778** |
| Unrecognized actuarial losses | (50) | 400 |
| Unrecognized past service cost | - | - |
| Total unrecognized items | - | - |
| **PROVISIONS FOR PENSIONS** | **4,377** | **4,178** |

Changes in actuarial commitments recognized on the liabilities side of the balance sheet for 2019 and 2018 break down as follows:

| *(in € thousands)* | 12/31/2019 | 12/31/2018 |
|---|---|---|
| **DEFINED BENEFIT COST FOR THE YEAR** | | |
| Cost of services rendered for the year | 210 | 241 |
| Cost of discounting | 59 | 58 |
| Net actuarial loss recognized in the year | (3) | (8) |
| Reductions/terminations | - | - |
| **COST OF SERVICES AND DISCOUNTING** | **266** | **291** |

## NOTE 18 EXPENSES PAYABLE

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Trade payables | 1,845 | 621 |
| Suppliers – accrued invoices | 5,248 | 4,170 |
| Personnel and related accounts | 1,742 | 1,645 |
| Social organizations | 1,836 | 1,254 |
| VAT on accrued income | 215 | 51 |
| Other liabilities | 85 | 68 |
| **TOTAL** | **10,971** | **7,809** |

## NOTE 19 ACCRUED CHARGES AND DEFERRED INCOME

Deferred revenue and expenses relate exclusively to items recognized under operations.

# NOTE 20 AFFILIATED COMPANIES

Transgene signed a cash pooling agreement with Institut Mérieux. The cash and cash equivalents placed in the Institut Mérieux cash pool amounted to a receivable of €42.0 million at December 31, 2019; the resulting interest income was €109 thousand at December 31, 2019.

The table below does not include these cash items.

| | 2019 | |
|---|---|---|
| *(in € thousands)* | **Receivables** | **Payables** |
| ABL Europe SAS | 20 | 285 |
| ABL Lyon | - | 13 |
| bioMérieux SA | - | (1) |
| Institut Mérieux | 298 | 114 |
| Mérieux Université | - | 6 |
| Thera Conseil | - | - |
| Transgene Inc. | - | 43 |
| **TOTAL** | **318** | **460** |

| | 2019 | |
|---|---|---|
| *(in € thousands)* | **Revenue** | **Expenses** |
| ABL Europe SAS [(1)] | 215 | 4,359 |
| ABL Lyon [(2)] | - | 36 |
| bioMérieux SA | - | (1) |
| Institut Mérieux [(3)] | 298 | 460 |
| Mérieux Université | - | 8 |
| Thera Conseil | - | 5 |
| Transgene Inc. [(4)] | - | 504 |
| **TOTAL** | **513** | **5,371** |

*(1) The revenue corresponding to the rent re-invoicing contract for hosting test labs. Expenses related to the agreements for production services provided by ABL Europe and to leases of premises in Lyon.*
*(2) Expenses relate to the agreements for services provided by ABL Lyon.*
*(3) Expenses relate to the agreement for services provided by Institut Mérieux.*
*(4) Expenses related to the re-invoicing of Transgene, Inc. services and staff.*

# NOTE 21 MATURITIES OF RECEIVABLES AND PAYABLES

| **Receivables** *(in € thousands)* | **Gross amount** | **One year or less** | **More than one year** |
|---|---|---|---|
| Trade receivables | 1,802 | 335 | 1,467 |
| Trade receivables | 3,451 | 3,451 | - |
| RTC and CICE | 6,981 | 120 | 6,861 |
| Government, VAT and other local authorities | 1,085 | 1,085 | - |
| Personnel and related accounts | 35 | 35 | - |
| Prepaid expenses | 2,742 | 2,420 | 322 |
| Research and development grants | 61 | 61 | - |
| Other receivables | 521 | 223 | 298 |
| **TOTAL RECEIVABLES** | **16,678** | **7,730** | **8,948** |

| **Payables** *(in € thousands)* | **Gross amount** | **One year or less** | **More than one year and less than or equal to five years** | **More than five years** |
|---|---|---|---|---|
| Conditional advances | 16,183 | - | - | 16,183 |
| Financing of tax credits | 366 | 134 | 232 | - |
| Bank loans | 10,509 | 509 | 10,000 | - |
| Trade payables | 7,093 | 7,093 | - | - |
| Pension obligations | 4,377 | 261 | 1,506 | 2,610 |
| Accrued employee benefits and tax expense | 3,663 | 3,663 | - | - |
| Prepaid income | 4,953 | 4,949 | 4 | - |
| Other liabilities | 7 | 7 | - | - |
| **TOTAL LIABILITIES** | **47,150** | **16,616** | **11,741** | **18,793** |

# NOTE 22 INCOME TAX EXPENSES

## Current taxes

### Research tax credit (RTC)

In 2019 the RTC was €6,619 thousand (versus €5,790 thousand in 2018). This tax credit will be reimbursed by the State in 2023.

In June and July 2019 the Company signed agreements to sell its 2016, 2017 and 2018 research tax credit receivables to a banking institution for 95% of their value—respectively €5,982 thousand, €5,127 thousand and €5,501 thousand—and no longer has any amount receivable from the State.

### Deferred taxes

At December 31, 2019 Transgene had tax loss carryforwards (indefinitely carryable) totaling €696,809 thousand.

## NOTE 23 EXECUTIVE COMPENSATION AND OBLIGATIONS

Directors' fees paid to members of the administrative bodies amounted to €236 thousand.

Philippe Archinard, Chairman and Chief Executive Officer of Transgene, has been mainly employed by the Company since April 2015. As of December 31, 2019, he was also an employee of Institut Mérieux.

In 2019, the Company did not pay any compensation to TSGH and its permanent representative. In 2019, the Company paid its Chairman and Chief Executive Officer, Mr. Philippe Archinard, gross compensation of €758 thousand (including €354 thousand in variable compensation).

In 2019, Philippe Archinard received gross compensation of €281 thousand (including €135 thousand in variable compensation and €9 thousand in benefits in kind corresponding to the use of a Company car) from Institut Mérieux.

In 2019 the Company paid to the Responsible Pharmacist acting as Deputy Chief Executive Officer, Christophe Ancel, total compensation amounting to €144 thousand (including €32 thousand in variable compensation and €5 thousand in benefits in kind – vehicle).

The Company paid a gross amount of €2,083 thousand in compensation to its Executive Committee in 2019.

No advances or credits were allocated to executives.

## NOTE 24 OFF-BALANCE SHEET COMMITMENTS

In 2008, Transgene invested in a building housing labs and offices on the Illkirch site, in the suburbs of Strasbourg. Land and construction costs for the 6,900 sq.m. building totaled €15.6 million. This investment was financed by a 15-year finance lease, signed with a banking consortium in October 2007, with a residual value of €1.1 million. The first lease payment was made on January 1, 2009.

The table below summarizes the main residual obligations of the Company under this contract:

| *(in € thousands)* | 2019 | 2018 |
|---|---|---|
| Property leasing: | | |
| ▪ outstanding charges | 4,140 | 5,317 |
| residual purchase price | 1,094 | 1,094 |

Under the terms of the real estate financing lease for the acquisition of its administrative and research building in Illkirch, Transgene has a pledge granted by Banque Populaire to Alsabail, one of the lessors, for an amount of €1.6 million. In the first six months of 2009, the Company proceeded with partial coverage of the interest rate risk related to this financing, according to the following terms:

- nominal value: €5.9 million (depreciable);
- hedging instrument: interest rate swap contract;
- residual maturity: 4 years;
- underlying rate: 3-month Euribor;
- fixed rate: 3.46%.

As the hedge is perfect, the variations in market value for the instrument are recognized at net value. At December 31, 2019, the market value of this hedging instrument was €181 thousand. The market value is the amount that the Company would have had to pay if it decided to liquidate the hedge at December 31, 2019.

Transgene has leased space in the Lyonbiopôle building for its Lyon staff since 2009. This agreement terminated in May 2019. It was replaced by a lease in a new building, starting in March 2019. The Company paid rent of €110 thousand to Lyonbiopôle in 2019 and €187 thousand to ABL Europe for the new premises.

The table below summarizes key financial commitments made by the Company:

| | | Payments due by period | | |
|---|---|---|---|---|
| *(in € thousands)* | Gross amount | One year or less | From one to five years | More than five years |
| Finance lease obligations (real estate) | 5,093 | 1,154 | 3,939 | - |
| Finance lease obligations (non-real estate) | 543 | 167 | 376 | - |
| Other long-term obligations (reimbursable advances) | 16,183 | - | - | 16,183 |
| **TOTAL** | **21,819** | **1,321** | **4,315** | **16,183** |

Transgene is also bound by contracts with subcontractors. That could have an impact over several accounting periods. As of December 31, 2019, the Company estimated the current value of its financial commitments under these agreements to be approximately €25 million.

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 balance sheet 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 balance sheet date.

As part of the agreements with Tasly BioPharmaceuticals in July 2018, Transgene received 27.4 million shares in this company, or 2.53% of its capital. The assets contributed by Transgene were valued by the parties at $48 million, and the per share value of the stock received was the price 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 have 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 two to three years, at the initial subscription price plus an annual contractual rate.

In April 2019, the Company signed a revolving credit agreement with Natixis, capped at €20 million, which can be drawn down once or on several occasions. As part of this credit agreement, Transgene must pledge its shares in Tasly BioPharmaceuticals prior to the first draw. The outstanding amount (excluding interest) may not exceed the equivalent of 60% of the value of the pledged Tasly BioPharmaceuticals shares or a ceiling of €20 million. If the outstanding amount drawn exceeds 60% of the value of the shares, the Company must immediately reimburse the difference. The interest on the outstanding amounts drawn as well as an availability commission for the undrawn part are payable on a quarterly basis. This loan agreement runs until June 2022 and, as is typical of revolving loans, the amounts drawn must be repaid in full by the end of the program at the latest. At December 31, 2019, the Company had not drawn down on this credit facility. The fees on undrawn amounts were recognized in *financial liabilities*, in the amount of €61 thousand.

As at the date of this document, the Company has not made any material commitment (guarantees, collateral, etc.).

## NOTE 25 WORKFORCE

The Company's registered workforce totaled 159 employees at December 31, 2019, vs. 146 at December 31, 2018.

| | Men | Women | Total |
|---|---|---|---|
| Managers | 42 | 71 | 113 |
| Other grades | 14 | 32 | 46 |
| **TOTAL** | **56** | **103** | **159** |

* *Including 136 open-ended contracts at 12/31/2019.*

Employee benefits expense (salaries, payroll taxes, pension costs and related expenses) for 2018 and 2019 totaled €14,632 thousand and €14,653 thousand, respectively.

## NOTE 26 IDENTITY OF THE CONSOLIDATING ENTITY

The Company's financial statements were fully consolidated by Compagnie Mérieux Alliance, 17, rue Bourgelat, 69002 Lyon.

## NOTE 27 POST-CLOSING EVENTS

None.

## NOTE 28 PREMIUMS AND RESERVES

The distribution options offered by the accumulated premiums and reserves were as follows:

| *(in € thousands)* | Total | Reimbursable or available for distribution | Not available for distribution |
|---|---|---|---|
| Premiums | 31,316 | 31,316 | - |
| Legal reserve | 247 | - | 247 |
| Unavailable reserve | 2,035 | - | 2,035 |
| **TOTAL** | **33,599** | **31,316** | **2,283** |

## NOTE 29 SUBSIDIARIES AND EQUITY INTERESTS

| *Financial information (in local currency)* | | Transgene Inc.<br>One Boston Place, Suite 4030<br>201 Washington Street<br>BOSTON, MA 02108<br>U.S. | ElsaLys Biotech<br>321 avenue Jean-Jaurès<br>69007 Lyon |
|---|---|---|---|
| **Share capital** | | USD 30,000 | EUR 862,962 |
| **Share capital other than capital** | | - | EUR (1,120,281) |
| **Proportion of capital held** *(%)* | | 100% | 8.25% |
| **Carrying value of securities held** *(in euros)* | Gross | 23,114 | 1,694,050 |
| | Net | 23,114 | - |
| **Loans and advances granted by the Company not yet reimbursed** | | None | None |
| **Amount of guarantee and undertakings given by the Company** | | None | None |
| **Revenues excl. tax of the period just past** | | None | EUR 7,435 |
| **Income (profits or losses for the previous fiscal)** | | - | EUR (3,803,090) |
| **Dividends received during the year** | | None | None |
| **Comments** | | - | - |

# NOTE 30 STATUTORY AUDITORS' FEES

| | Ernst & Young et Autres | | | | Grant Thornton | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount (pre-tax) | | % | | Amount (pre-tax) | | % | |
| *(in € thousands)* | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Audit | - | - | - | - | - | - | - | - |
| **STATUTORY AUDITORS, CERTIFICATION, EXAMINATION OF INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS** | | | | | | | | |
| Issuer | 104 | 64 | 68% | 81% | 52 | 50 | 54% | 100% |
| Fully consolidated subsidiaries | - | - | - | - | - | - | - | - |
| **OTHER DUE DILIGENCE AND SERVICES DIRECTLY RELATED TO THE AUDIT** | | | | | | | | |
| Issuer | 50 | 15 | 32% | 19% | 45 | - | 46% | - |
| Fully consolidated subsidiaries | - | - | - | - | - | - | - | - |
| **Sub-total** | **154** | **79** | **100%** | **100%** | **97** | **50** | **100%** | **100%** |
| Other services provided by networks to fully consolidated subsidiaries | - | - | - | - | - | - | - | - |
| Legal, tax and social | - | - | - | - | - | - | - | - |
| Other (specify if > 10% of the audit fees) | - | - | - | - | - | - | - | - |
| **Sub-total** | - | - | - | - | - | - | - | - |
| **TOTAL** | **154** | **79** | **100%** | **100%** | **97** | **50** | **100%** | **100%** |

# 4.4 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Year ended December 31, 2019

To the Annual General Meeting of Transgene S.A.,

## Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying financial statements of Transgene S.A. for the year ended December 31, 2019. These accounts were approved by the Board of Directors on March 11, 2020 on the basis of the elements available at that date, in the evolving context of the health crisis related to Covid-19.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

## Basis for Opinion

### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*).

## Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, as approved in the above-mentioned context, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

## MEASUREMENT OF INVESTMENT SECURITIES HELD IN TASLY BIOPHARMACEUTICALS

| Risk identified | Our response |
|---|---|
| On July 10, 2018, your Company received shares from Tasly Biopharmaceuticals amounting to USD 48m, in return, on the one hand, for the transfer of its investment in the joint venture which owned the T6002 rights and, on the other hand, for the transfer of the T1050 patent rights for Greater China.<br>As at December 31, 2019, the net value of the shares held in Tasly Biopharmaceuticals (a non-listed company) recorded in your Company's balance sheet amounts to MEUR 41.5 and represents 2.53% of that entity's capital.<br>As stated in Notes 1, 13 and 24 to the financial statements, the valuation of the shares held is based on an analysis in accordance with the expected recoverable amount of the assets.<br>The valuation of these shares requires management to exercise judgment in its choice of the elements to be taken into account, corresponding to forecasts.<br>The main assumptions taken into account by management in the measurement of value in use are based on assumptions obtained from Tasly Biopharmaceuticals, used to value the company on the occasion of the pre-IPO refinancing in July 2018, during which your Company became a shareholder, and concern:<br>• the estimate of the future cash flows that will be generated by the companies held and notably by the products being developed;<br>• the probable technical success of the products being developed and their approval by the regulatory authorities;<br>• the market potential for these products being developed;<br>• the value of the shares in accordance with to the latest capital transactions;<br>• the discount rate used by management.<br>The Company had an independent advisory firm who reviewed and updated the model used and the assumptions at year-end, based on the information provided by Tasly Biompharmaceuticals.<br>Impairment is recognized when the net carrying amount of this investment is higher than its recoverable amount.<br>Any error in the assessment of the assumptions has an impact on the recoverable amount estimate. We considered the determination of the recoverable amount of the held shares to be a key audit matter as it involves significant exercise of management's judgment. | Our work consisted in examining the methods and assumptions used by the Company to determine the recoverable amount, in particular:<br>• we compared the valuation model applied and the assumptions used with those used when the initial acquisition price was set in July 2018;<br>• we included a specialist in our audit team to study the models and assumptions used by reviewing their consistency on the one hand with the budgets and forecasts used in the valuation of the initial acquisition price, and on the other hand with our knowledge of the sector, acquired notably during interviews with management and by comparison with similar projects conducted by other companies in the same sector of activity;<br>• we compared the discount rate with our own estimate of this rate, set with the assistance of our valuation specialists, and through analysis of the various parameters.<br>Finally, we also assessed the appropriateness of the information disclosed in the notes to the financial statements, in particular the sensitivity analyses presented. |

## VALUATION OF ADNA REPAYABLE ADVANCES

| Risk identified | Our response |
|---|---|
| As at December 31, 2019, the value of the liability consisting of repayable advances recorded in your Company's balance sheet amounts to MEUR 15.94. At year-end, the Company re-values its repayable advances liability under the ADNA program to match the amount of the expected repayments, as described in Notes 1 and 15 to the financial statements.<br>The repayment of these advances is subject to the achievement of a certain threshold of revenue with the TG4001 and TG4010 products, and will be based on a predetermined and set amount during the following five years, and then in proportion to the revenue generated by these products until a repayment limit is reached or by 2035 at the latest. Thus, the expected future repayments are estimated by management based on the estimated future direct and indirect revenue generated solely by the TG4001 product being developed, given the discontinuation of TG4010 in 2019.<br>The other assumptions used by management to measure the repayable advances liability notably concern:<br>• the probabilities of success of the clinical phases;<br>• the timing and conditions of a partnership concerning the development and the marketing of these products;<br>• the discount rate used by management.<br>Therefore, the measurement of the repayable advances liability requires management to exercise judgment in its choice of the elements to be taken into account, in particular as regards forecasts.<br>Any error in the assessment of these assumptions would have an impact on the estimation of the debt to be repaid. We considered the measurement of the ADNA repayable advances to be a key audit matter as it involves significant exercise of management's judgment. | Our work consisted in examining the methods and assumptions used by the Company to measure the ADNA repayable advances, in particular:<br>• we assessed the valuation model and the assumptions used relating to the development of the TG4001 product, by considering their consistency with, on the one hand, the budgets and forecasts drawn up by management and presented to the Board of Directors, and on the other hand, our knowledge of the sector, acquired notably during interviews with management;<br>• we compared the discount rate with our own estimate of this rate;<br>• we examined the US dollar to euro rate used within the context of the valuation performed.<br>Finally, we examined the appropriateness of the information disclosed in the notes to the financial statements. |

### MEASUREMENT OF THE INCOME RELATED TO THE COLLABORATION AGREEMENT WITH ASTRAZENECA

| Risk identified | Our response |
|---|---|
| In April 2019, a collaboration agreement entered into between the Company and AstraZeneca with options for exclusive licences to co-develop oncolytic immunotherapies using the Invir.IO™ platform. This agreement provides for the delivery of five candidates by the Company. In this respect, your Company recieved an initial payment of MEUR 8.9 (MUSD 10) for access rights to its platform during the first half of 2019.<br>On December 23, 2019, the first amendment to the agreement was signed, providing for the replacement of two initially selected candidates by two new candidates to be selected by AstraZeneca by March 30, 2020. They will be the subject of a second amendment.<br>As at December 31, 2019, the income in respect of the initial payment recognized under this collaboration represents MEUR 3.9.<br>As stated in Notes 1 and 3 to the financial statements, the recognition of the income related to the initial payment is based on the progress made in the associated activities and measured in accordance with the costs incurred.<br>The measurement of the income requires management to exercise judgment in its choice of the elements to be taken into account, corresponding to forecasts.<br>The main assumptions taken into account by management in the measurement of the income related to the initial payment notably concern:<br>• the schedule for the development of the candidates;<br>• the estimated costs of the salaries and consumables related to the development of the candidates.<br>We considered the measurement of the income related to the collaboration agreement with AstraZeneca to be a key audit matter, as:<br>• the measurement of the income recognized represents a significant amount as at December 31, 2019;<br>• the determination of the income requires the use of estimates and assessments, notably to measure the estimated costs of the salaries and consumables related to the development of the candidates.<br>Any error in the assessment of these assumptions would have an impact on the estimation of the income to be recognized. We considered the measurement of the income related to the collaboration with AstraZeneca to be a key audit matter as it involves significant exercise of management's judgment. | Our work consisted in examining the methods and assumptions used by management to measure the income related to the initial payment. In particular, it consisted in:<br>• analyzing the methods used to measure the estimated overall costs related to the agreement, including the measurement of personnel costs, the necessary hours to perform the studies and the costs of consumables, by considering their consistency with, on the one hand, the budgets and forecasts drawn up by management and presented to the Board of Directors, and on the other hand, our knowledge of the sector, acquired notably during interviews with management;<br>• studying the valuation of the actual hours worked during financial year 2019 and the actual timesheets as at December 31, 2019;<br>• assessing the consistency of the schedule for the development of candidates not yet performed in relation with the actual schedule for the first candiates, and on the basis of interviews with management and the project manager.<br>Finally, we examined the appropriateness of the information disclosed in the notes to the financial statements. |

# Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

## Information given in the Management Report and in the Other Documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors approved on March 11, 2020 and in the other documents with respect to the financial position and the financial statements provided to the Shareholders. Regarding the events that occurred and the elements known after the date of approval of the financial statements relating to the effects of the Covid-19 crisis, Management has informed us that such events and elements will be communicated to the to the AnnuaG Meeting.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-4 of the French Commercial Code (*Code de commerce*).

## Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby, included in the consolidation scope.. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information

### Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

## Report on Other Legal and Regulatory Requirements

### Appointment of the Statutory Auditors

We were appointed as statutory auditors of Transgene S.A. by your Annual General Meeting held on May 24, 2016 for GRANT THORNTON and on May 29, 1996 for ERNST & YOUNG et Autres.

As at December 31, 2019, GRANT THORNTON was in its fourth year of total uninterrupted engagement and ERNST & YOUNG et Autres was in its twenty-fourth year of total uninterrupted engagement (including twenty-two years since the securities of the company were admitted to trading on a regulated market).

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

## Statutory Auditors' Responsibilities for the Audit of the Financial Statements

### Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the company or the quality of management of the affairs of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Lyon and Paris-La Défense, March 31, 2020

The Statutory Auditors

*French original signed by*

| **GRANT THORNTON** | **ERNST & YOUNG et Autres** |
|---|---|
| *French Member of Grant Thornton International* | |
| Françoise Méchin | Cédric Garcia |

# 4.5 PRO FORMA FINANCIAL INFORMATION

None.

5

# INFORMATION ABOUT THE COMPANY AND ITS CAPITAL

# 5.1 SHARE CAPITAL

## 5.1.1 Amount of equity subscribed

€83,265,464 fully paid in at December 31, 2019 and €83,466,214 recognized as of the date of this Registration Document.

### 5.1.1.1 Number of shares issued

83,265,464 shares at December 31, 2019 and 83,466,214 as of the date of this Registration Document, all of the same class and all fully paid in. No unpaid shares have been issued. The nominal value per share is 1 euro.

## 5.1.2 Shares not representing capital

None.

The Company has no knowledge of pledges or other security interests related to its existing shares at March 31, 2020.

## 5.1.3 Shares held either by the Company itself, on its behalf or by its subsidiaries

In the framework of the liquidity contract, at December 31, 2019, 164,183 shares were held on behalf of the Company (see Section 5.6).

## 5.1.4 Convertible securities, exchangeable securities or securities with warrants

None.

## 5.1.5 Conditions governing any right of acquisition and/or any obligation attached to the capital subscribed but not paid-in, or any undertaking to increase the share capital

### Capital authorized and not issued

At March 31, 2020 the number of shares that could be issued against outstanding stock options (256,992) and free share awards not yet vested (1,,774,894) was 2,031,886 or around 2.4% of the Company's capital on a fully diluted basis (or 83,466,214 + 2,031,886 shares).

The following table shows the powers delegated to the Board of Directors by the Extraordinary General Shareholders' Meeting of May 23, 2018 and by the Extraordinary General Shareholders' Meeting of May 22, 2019 and the use the Board made of them as of the date of this Registration Document:

| Nature of the delegation granted | Maximum amount of delegation and effective date | Amount used by the Board |
|---|---|---|
| **Capital increase with preferential subscription rights for shareholders** | 31.5 million shares in one or more tranches<br>Expiration: July 23, 2020 | 20,816,366 |
| **Capital increase without preferential subscription rights for shareholders** | 25 million shares in one or more tranches (included in the ceiling of 31.5 million shares)<br>Expiration: July 23, 2020 | None |
| **Capital increase reserved for qualified investors or a restricted group of investors without preferential subscription rights in their favor** | 20% of share capital with a price not less than the average of the price of three trading sessions with a maximum discount of 5%<br>Expiration: July 23, 2020 | None |
| **Setting the price of issuance of shares in the event of the waiver of preferential subscription rights in accordance with Article L. 225-136 1 paragraph 2 of the French Commercial Code** | 10% of share capital per year<br>Expiration: July 23, 2020 | None |
| **Capital increase with cancellation of pre-emptive subscription rights to compensate share tenders, in the case of an exchange offer or contribution in kind applicable to** corporate securities | 10% of share capital<br>Expiration: July 23, 2020 | None |
| **Capital increase with cancellation of pre-emptive subscription rights of shareholders for the benefit of categories of persons** | 25 million shares in one or more tranches (included in the ceiling of 31.5 million shares)<br>Expiration: July 23, 2020 | None |
| Award of free shares in the Company to Company and Group employees without preferential subscription rights | 1,200,000 existing or new shares<br>Expiration: the unused portion was canceled by the AGM of May 22, 2019 | 414,800 |
| Award of free shares in the Company to Company and Group employees without preferential subscription rights | 2,000,000 existing or new shares<br>Expiration: July 22, 2022 | 1,399,774 |

## 5.1.6 Information on the stock of any member of the Group subject to an option or a conditional or unconditional agreement to place it under option

None.

## 5.1.7 Changes to share capital

### CHANGE IN EQUITY OVER THE PAST THREE YEARS

| Fiscal year | Type of transaction | Number of securities | Issue of shares *(in euros)* | Issue premium per share *(in euros)* | Total issue premiums *(in euros)* | **Amount of equity *(in euros)*** |
|---|---|---|---|---|---|---|
| 2017 | Capital increase (1) | 5,643,199 | 14,390,175.45 | 1.55 | 8,746,958.45 | 62,075,190 |
| 2018 | Capital increase (2) | 200,733 | 200,733 | - | - | 62,275,923 |
| 2019 | Capital increase (2) | 173,175 | 173,175 | - | - | 62,449,098 |
| 2019 | Capital increase (1) | 20,816,366 | 48,710,0296.44 | 1.34 | 27,893,930 | 83,265,464 |
| 2020 (3) | Capital increase (2) | 200,750 | 200,750 | - | - | 83,466,214 |

*(1) Capital increase by issuing new shares.*
*(2) Capital increase by awarding vested free shares to Company employees.*
*(3) Until March 2020.*

**Change in shareholder structure over the past three years** (see Section 5.2.1 "Name of any person not a member of an administrative or management body directly or indirectly holding more than 5% (legal reporting threshold) of the Company's capital or voting rights").

# 5.2 PRINCIPAL SHAREHOLDERS

## 5.2.1 Name of any person not a member of an administrative or management body directly or indirectly holding more than 5% (legal reporting threshold) of the Company's capital or voting rights

The following table shows the breakdown of capital and voting rights of the Company at December 31, 2019 based on an analysis of bearer share ownership conducted at the Company's request following the capital increases carried out in July 2019 and the distribution as of the end of 2018 and 2017. There is no shareholder apart from the majority shareholder TSGH that owns more than 5% of share capital.

| | As at 12/31/2017 | | | As at 12/31/2018 | | | As at 12/31/2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| Shareholder | Number of shares | % of capital | % of voting rights [2] | Number of shares | % of capital | % of voting rights [2] | Number of shares | % of capital | % of voting rights [2] |
| TSGH [1] | 35,431,991 | 57.1 | 67.2 | 35,431,991 | 56.9 | 66.98 | 50,323,665 | 60.44 | 75 |
| Dassault Belgique aviation | 2,924,221 | 4.7 | 3.6 | 2,924,221 | 4.7 | 3.53 | 4,120,935 | 4.95 | 3.70 |
| Other shareholders [2] | 23,718,978 | 38.2 | 29.2 | 23,919,711 | 38.4 | 29.49 | 28,820,864 | 34.61 | 21.3 |
| **Total** | **62,075,190** | **100** | **100** | **62,275,923** | **100** | **100** | **83,265,464** | **100** | **100** |
| Dilutive impact stock-options + free shares awarded [3] | 888,062 | 1.4 | | 726,463 | 1.2 | | 2,293,081 | 2.75 | 1.95 |
| **TOTAL DILUTED** | **62,963,252** | | | **63,005,586** | | | **85,558,545** | | |

*(1) Article 8 of the bylaws grants double voting rights to all fully paid registered shares, registered in the name of the same shareholder for at least three years. In accordance with the provisions of Article L. 233-8 of the French Commercial Code, Transgene publishes monthly (if the information has changed since the last monthly publication) the total number of shares and voting rights on the AMF website and on its own site www.transgene.fr. At December 31, 2018, the total number of shares was 62,275,923; the total theoretical number of voting rights was 82,745,779 of which the number of exercisable voting rights was 82,670,436. No limitation has been placed on voting rights. The double voting rights attached to a share disappear the day the security is assigned or converted to the bearer. At December 31, 2019, the total number of shares was 83,265,464; the total theoretical number of voting rights was 117,645,905 of which the number of exercisable voting rights was 117,481,722. No limitation has been placed on voting rights. The double voting rights attached to a share disappear the day the security is assigned or converted to the bearer.*

*(2) To the Company's knowledge, no other shareholders directly or indirectly own, alone or in concert, over 5% of the equity or voting rights. As of December 31, 2019, the Company held 164,183 of its own shares through a liquidity program. The total percentage of employee ownership is less than 1%. Since it is insignificant, the Company does not monitor employee shareholdings. There are not, to the knowledge of the Company, any concert parties or agreements between shareholders.*

*(3) The stock options and free shares were granted exclusively to the employees of the Company and its subsidiary Transgene, Inc., including members of the Executive Committee and to the two executive corporate officers (Philippe Archinard, Chairman and Chief Executive Officer, and Christophe Ancel, Qualified Pharmacist and Deputy Chief Executive Officer.) At December 31, 2019, there were 256,992 options outstanding and 2,036,089 free shares were vesting.*

## 5.2.2 Special voting rights of major shareholders

There are no different voting rights for major shareholders. Pursuant to Article 8 of the corporate bylaws, double voting rights are granted to all fully paid registered shares registered in the name of the same shareholder for at least three years, regardless of the number of shares held by the holder.

## 5.2.3 Controlling shareholder

The Company's capital is 60.4% (75% of the voting rights) owned by TSGH SAS, which is in turn 98.95% owned by Institut Mérieux, which is owned by the Mérieux family. No specific measure limits the powers of the principal shareholder. The Company complies with the Code of Corporate Governance for small- and mid-cap companies. The Board of Directors includes a majority of directors who qualify as independent using the criteria defined in the MiddleNext Corporate Governance Code. One independent director, Mr. Habert, is connected with the Dassault Group, which holds 4.9% of the Company's stock (3.70% of the voting rights) through a family relationship and in his capacity as Chairman and member of the Dassault Développement Strategy Committee. Moreover, a majority of the Audit Committee and Compensation Committee consists of independent directors (three out of four members).

## 5.2.4 Agreement that may result in a subsequent change of control of the Company

To the Company's knowledge, at the date of this Document there is no agreement that could at a later date, if enforced, bring about a change in the controlling interest of the Company, nor pact outside the bylaws, or any anti-takeover measure, or specific powers of representation or appointment to executive bodies.

# 5.3 ARTICLES OF INCORPORATION AND BYLAWS

## 5.3.1 Corporate purpose (Article 2 of the bylaws)

The purpose of the Company, both in France and abroad, on its own behalf and on behalf of third parties:

- consists of all research, development, studies for the refinement of production processes and marketing, preclinical and clinical development, production and marketing of all products and processes in the areas of bioindustry, biotechnology and, more specifically, genetic engineering, principally for the purpose of experimenting, developing and exploiting medications for human and veterinary medicine, and generally the application of all sciences and techniques that might add to the development of said products and processes;
- the creation, acquisition, by any means and the operation in any form of any company connected directly or indirectly with these activities, as well as investment by any means in such companies;
- group financing activities;
- the supply of all types of support to companies that belong to the Group of companies to which the Company belongs;
- and more broadly, all commercial, industrial, securities, property and financial transactions involving any kind of asset that might relate directly or indirectly to the foregoing purpose or that might lead to its achievement, expansion or development.

## 5.3.2 Company management

### Board of Directors (excerpts and summaries from the relevant Statute Articles and regulations)

The Company is managed by a Board of Directors composed of at least three members and at most fifteen members who are elected by the General Shareholders' Meeting.

The directors are appointed for a period of three years. The renewal of the terms of office is carried out on a staggered basis, to ensure that the number of terms of Board members expiring is as regular as possible each year. Exceptionally, for the purpose of staggering, the Ordinary Annual General Shareholders' Meeting may appoint a director for a duration of one, two or four years. Their directorship ends at the end of the Ordinary General Shareholders' Meeting approving the financial statements for the prior year, which is held during the year in which their term expires. The Board ensures that the number of terms expiring is as regular as possible each year.

The directors may be re-elected and may be recalled by the General Shareholders' Meeting at any time. In the event of a vacancy of one or more seats, the Board may, in the manner prescribed by law, make provisional appointments. The directors so appointed do not serve longer than the remainder of their predecessor's term, and their appointment must be ratified by the next following Shareholders' Meeting.

The Board of Directors elects from among its members who are individuals a Chairman and, possibly, one or more Vice-Chairmen, and sets their term of office that not exceed their term of office as a director, nor the time remaining from their appointment to the end of the Ordinary General Shareholders' Meeting called to approve the financial statements for the fiscal year in which the Chairman reaches 67 years of age.

However, the Board may under exceptional circumstances extend the period, fiscal year by fiscal year, as long as this extension does not exceed two fiscal years.

In the event of the absence or incapacity of the Chairman, the Board shall appoint a Chairman pro tempore from among the Vice-Chairs or, failing that, the directors.

The Board may also appoint a Secretary, who may or may not be a shareholder.

The Board of Directors proceeds with the controls and verifications it deems appropriate. Directors receive all of the information required to accomplish their mission and may request any document they consider useful.

The Chairman of the Board of Directors shall represent the Board of Directors. He organizes and directs its work and reports back to the General Shareholders' Meeting. He ensures the proper operations of the Company's bodies, and, specifically, that the directors are capable of fulfilling their duties.

Except for the powers that the law expressly confers on the Shareholders' Meetings, as well as the powers that it specially reserves to the Board of Directors, and within the limits of the corporate purpose, the Chairman is invested with the broadest powers to act in the Company's name under all circumstances.

No limitation placed on the Chairman's powers by the Board of Directors can be contested by third parties.

Subject to the terms of the paragraphs above, the Board of Directors may delegate to one or more of its members or third parties, whether or not they are shareholders, any type of specific mandate for one or more specific objects, under conditions it defines, with or without potential substitution, to proceed with all studies and inquiries. When this occurs, the Board defines compensation, both fixed and proportional. If a director is given a paid term of office then the provisions of Articles L. 225-38 et seq. of the French Commercial Code shall apply.

If the Board of Directors decides to separate the positions of Chairman and Chief Executive Officer, subject to the powers that the law confers expressly on Shareholders' Meetings as well as the powers that are specially reserved to the Board of Directors and within the limitations of the corporate purpose, the Chief Executive is invested with the broadest powers to act in the Company's name under all circumstances and represent it in relations with third parties.

On a recommendation from the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist the Chief Executive Officer with the title of Deputy Chief Executive Officer.

The number of Chief Operating Officers may not exceed five.

If they are directors of the Company, the Chief Executive Officer and Chief Operating Officers may not be appointed for longer than their term as directors.

The Board of Directors sets the compensation of the Chairman of the Board, the Chief Executive Officer and, as applicable, the Deputy Chief Executive Officers. This compensation may be fixed or a combination of fixed and variable.

The directors are invited to the meetings of the Board by any means, including verbally. The Board's rules of procedure may provide for the adoption of resolutions by electronic means.

Deliberations take place in quorum and majority conditions set out by law. In the event of a tie vote, the vote of the session's Chairman shall prevail.

A director may give his or her proxy to another director to represent him or her at a Board meeting.

Minutes are prepared and copies and excerpts of deliberations are issued and certified as defined by law.

The Responsible Pharmacist, who shall be licensed to practice in France (Table B of the Order) and shall file his license on behalf of the Company, will be responsible for the Company's compliance with the rules imposed by law and regulation governing the profession of pharmacist.

In this regard, the Qualified Pharmacist is fully empowered by law with all powers to make direct contact with all authorities or organizations with jurisdiction, to make all applications, solicit all approvals or authorizations, verify raw materials and authorize their use, make frequent inspections of laboratories, oversee manufacturing, and alone authorize the use and marketing of the finished products. In addition, he or she approves the hiring of pharmacists and the heads of other technical departments before they start work at the Company.

In the event of a conflict between the Chairman and the Qualified Pharmacist, the Board of Directors will arbitrate without ever imposing a decision that runs counter to the law or regulations and that might incur the liability of the Pharmacist.

## 5.3.3 Share classes

Only one class of shares exists. Each share entitles the holder to one share proportional to the fraction of capital that it represents, in the Company's assets and earnings and in any liquidation surplus.

## 5.3.4 Shareholder rights

Shareholders' rights may only be changed, and in the manner prescribed by law, by an extraordinary General Shareholders' Meeting that meets the conditions of quorum and majority set by the French Commercial Code. There is no more restrictive term in the bylaws. The Company capital may be changed pursuant to the terms of the law.

## 5.3.5 General Shareholders' Meetings (Article 21 of the bylaws)

General Shareholders' Meetings are called and deliberate pursuant to the terms of the law. Meetings take place either at the corporate headquarters or at another place specified in the notice of meeting.

The right to take part in General Shareholders' Meetings is defined and justified in accordance with the provisions of Article R. 225-85 of the French Commercial Code.

For the calculation of the quorum and majority, are deemed present, if applicable, shareholders taking part in the meeting by videoconference or by means of telecommunications under the applicable legal and regulatory conditions, and as stipulated below.

Each shareholder may vote by mail or give a letter of proxy subject to the conditions stipulated by current regulations, and notably using a form prepared and received by the Company under the conditions set by law and the regulations.

If the Board of Directors so decides at the time of the notice to attend for the meeting, shareholders may also take part and vote in General Shareholders' Meetings by videoconference or by all means of telecommunications (including transmission by electronic means of a vote form) allowing his/her identification under the conditions and according to the modalities set by the current legal and regulatory provisions. The Board of Directors' decision to use telecommunications or videoconferencing technology will be published in the notice to attend or the notice of meeting.

The electronic form may be completed and signed directly on this site using an identification code and password. The letter of proxy or vote expressed before the General Shareholders' Meeting by electronic means, as well as the acknowledgment given, will be considered as irrevocable written instructions enforceable on all parties, it being stated that if a transfer of ownership of the shares takes place before the legal deadline for the registration of the securities, the Company shall invalidate or amend, as the case may be, proxies or votes expressed before such date and time.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a Vice-Chairman or by a director appointed for that purpose by the Board of Directors. Failing this, the assembly itself will elect a Chairman.

Minutes of General Meetings are prepared and copies certified and delivered pursuant to the terms of the law. The Meeting Secretary is authorized to certify the copies and excerpts of General Meeting minutes.

A double voting right attached to registered shares recorded in the name of the same person for at least three years was established by the Extraordinary General Shareholders' Meeting of June 9, 2004 and incorporated into the bylaws (Article 8).

## 5.3.6 Provisions having the effect of delaying, deferring or preventing a change of control

None.

## 5.3.7 Thresholds crossed

None. The obligations prescribed by current laws and regulations apply.

## 5.3.8 Conditions imposed by the articles of incorporation and bylaws, a charter or regulation, that govern changes in capital when said conditions are stricter than legal provisions

None: no such terms exist for the Company.

# 5.4 HISTORY AND INFORMATION ABOUT THE COMPANY DURING THE FISCAL YEAR

## 5.4.1 History and development of the Company

### 5.4.1.1 Legal name and commercial name

Transgene

### 5.4.1.2 Place of registration and registration number

The Company is registered in the Strasbourg Trade and Company Registry under identification No. RCS B 317,540,581. Its economic activity Code (APE) is 7211Z (Biotechnology research and development).

The legal entity identifier (LEI) is 969500PDJW8N0FSGGK69.

### 5.4.1.3 Date of incorporation and duration

The Company was founded in December 1979 for a period of 99 years that expires on December 31, 2078.

### 5.4.1.4 Registered office, legal form and applicable law

A French corporation *(société anonyme)* with a Board of Directors, governed by the French Commercial Code.

**Transgene**
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67400 Illkirch-Graffenstaden
France
Tel.: +33 3 88 27 91 00

# 5.5 INFORMATION ON INVESTMENTS IN AFFILIATES

The table of subsidiaries and affiliates is presented in Note 29 to the Company's annual financial statements.

# 5.6 SHARE BUYBACK PROGRAM

## 5.6.1 Situation in 2019

The share buyback program in force in 2019 was authorized by the Shareholders' Meeting of May 22, 2019.

In accordance with Articles L. 225-209 et seq. of the French Commercial Code, the Shareholders' Meeting of May 22, 2019 authorized the Board of Directors to trade Transgene stock for a period of 18 months, except during a public offering period for the Company's shares, for the purposes and in the manner prescribed by the share buyback program. The purchases must be made at a unit price no higher than €25 per share, with an overall purchase price of €20 million (or the foreign currency equivalent of these amounts on the same date) and in an amount no greater than 10% of the share capital at any one time.

In 2019, the Company made use of the authorizations to buy the Company's shares on the stock market in order to execute a liquidity contract with Kepler Cheuvreux. Effective January 2, 2020, management of the liquidity contract was taken over by Natixis Oddo BHF SCA. The Company did not use any derivatives.

In 2019, under the liquidity contract, Kepler Cheuvreux:

- bought 458,344 shares for a total of €1,366,104.33, representing a weighted average value of €2.9805 per share; and
- sold 476,049 shares for a total of €1,452,703.72, representing a weighted average value of €3.0516 per share.

At December 31, 2019, the Company directly held 164,183 shares for the purposes of creating liquidity under the liquidity contract (which represented around 0.19% of the capital, whose measured value at its price on December 31, 2019 (€2.73) was €205,686. At that same date, none of the 164,183 treasury shares were allocated to covering stock option plans or held for cancellation.

## 5.6.2 Description of the share buyback program pursuant to Articles 241-1 et seq. of the General regulation of the Autorité des marchés financiers (AMF)

Pursuant to Article 241-2 of the General regulation of the AMF, this paragraph constitutes the description of the buyback program that will be submitted to the Shareholders' Meeting of May 22, 2019.

### 5.6.2.1 Number of securities and fraction of capital stock held by Transgene

At December 31, 2019 the total number of shares held by Transgene was 164,183, representing 0.19% of Transgene's share capital. All of these shares were allocated with a view to liquidity under the liquidity contract.

### 5.6.2.2 Breakdown by objective of the equity securities held at December 31, 2019

At December 31, 2019 Transgene's treasury shares were allocated as follows:

- 164,183 shares allocated with a view to liquidity.

At the end of December 2019, the liquidity contract was transferred from Kepler Cheuvreux to Natixis Oddo BHF SCA. The new contract started on 2 January 2020. The Company did not cancel or re-allocate any treasury shares. The Company did not use any derivatives and does not have any open positions.

### 5.6.2.3 Objectives of the buyback program

Transgene intends to use its authorization to trade in its own shares under the share buyback program for the following purposes:

- to stimulate the market through an investment service provider acting independently under a liquidity contract in compliance with a Code of conduct recognized by the AMF;
- to hold its shares in order to allocate them at a later date in payment or exchange as part of external growth operations undertaken by the Company;
- to allocate its shares upon the exercise of rights attached to securities entitling their owner to the Company's stock through conversion, exercise of options, redemption or exchange, within the framework of stock exchange regulations;
- to cancel securities, notably in order to increase the return on equity and earnings per share and/or to offset the dilutive impact for the shareholders of capital increase transactions;
- to allocate shares to the employees or to the corporate officers of the Company and its subsidiaries according to the conditions and in the manner prescribed by law, notably in relation to the free allocation of shares,

profit-sharing, stock option plans or Company savings plans.

This program is also intended to allow any market practice accepted by the Autorité des marchés financiers subsequently to this Shareholders' Meeting and, more broadly, any transaction compliant with the regulations in force. In such a scenario, the Company will inform its shareholders by written communication.

### 5.6.2.4 Maximum percentage of share capital, maximum number and type of securities that Transgene proposes to acquire, and maximum purchase price

The securities Transgene proposes to acquire are only shares.

Excerpt of the draft resolution submitted to the Shareholders' Meeting of May 27, 2020:

*The Shareholders' Meeting, acting under the conditions of quorum and majority required for Ordinary Shareholders' Meetings, having reviewed the report of the Board of Directors, votes to adopt the share buyback program described hereinafter and to that end, in accordance with Articles L. 225-209 et seq. of the French Commercial Code, authorizes the Board of Directors, or any representative of the Board empowered to act on the Board's behalf, to purchase the Company's shares:*

- *resolves that the number of Company shares that may be repurchased shall be such that:*

– *the maximum number of shares that can be purchased under this authorization may not exceed 10% of the total number of shares in the Company's share capital and, with regard to purchases made for subsequent use in payment or exchange in a merger, spin off or asset contribution, 5% of the total number of shares in the Company's share capital, it being noted that (i) these limits apply to the Company's share capital which shall, where necessary, be adjusted to reflect any transactions subsequent to this Meeting that may affect the share capital and that, (ii) if the shares are repurchased to increase the stock's liquidity as permitted by the AMF (Autorité des marchés financiers) General regulation, the number of shares counted in the aforementioned 10% calculation shall be equal to the number of shares bought less the number resold during the period of this authorization, and*

– *the acquisitions made by the Company can in no event result in it directly or indirectly holding at any time more than 10% of the share capital; [...]*

- *sets the maximum purchase price at €25 per share, and resolves that the maximum amount of funds set aside for this share buyback program may not exceed twenty million euros (€20,000,000);*

- *delegates to the Board of Directors, which may subdelegate under the conditions foreseen in Article L. 225-209 of the French Commercial Code, in the event of any change in the par value of the share, of a capital increase through the incorporation of reserves, of the allocation of free shares, of a share split or a reverse share split, of a distribution of reserves or any other assets, of the amortization of capital or any other transaction involving equity, the power to adjust the aforementioned purchase price so as to reflect the impact of said transactions on the value of the share;*

- *resolves that the purchase, sale, exchange or transfer of these shares may occur by any means, i.e. on a regulated market, on a multilateral trading facility, through systematic internalizers or over the counter, including by means of the acquisition or sale of blocks of shares, by using financial instruments, notably derivatives traded on a regulated market or multilateral trading facility, through systematic internalizers or over the counter, or by using warrants in the manner authorized by the laws and regulations in force at the time of the transactions in question and at such times as the Company's Board of Directors or a person acting on behalf of the Board shall choose; the maximum fraction of the share capital acquired or transferred in blocks may be the entire program [...]*

Taking into account:

- the 164,183 shares (or 0.19% of the share capital) already directly held by Transgene at December 31, 2019;

- the 83,265,464 shares in the share capital at December 31, 2019;

- that the buyback at this time could only involve 6,220,058 shares (9.88% of the share capital), based on a maximum share price of €25 per share for a maximum total amount of €20,000,000.

### 5.6.2.5 Characteristics of the buyback program

The purchase, sale, exchange or transfer of shares may occur by any means, i.e. on a regulated market, on a multilateral trading facility, through systematic internalizers or over the counter, including by means of the acquisition or sale of blocks of shares, by using financial instruments, notably derivatives traded on a regulated market or multilateral trading facility, through systematic internalizers or over the counter, or by using warrants in the manner authorized by the laws and regulations in force at the time of the transactions in question and at such times as the Company's Board of Directors or a person acting on behalf of the Board shall choose; the maximum fraction of the share capital acquired or transferred in blocks may be the entire program.

### 5.6.2.6 Duration of buyback program

Pursuant to Article L. 225-209 of the French Commercial Code and to the resolution that shall be submitted to the Shareholders' Meeting of May 27, 2020, this buyback program may be carried out during an 18-month period starting on the date of the Shareholders' Meeting of May 27, 2020, i.e. no later than November 27, 2021. Pursuant to Article L. 225-209 of the French Commercial Code, shares may only be canceled within the limit of 10% of the share capital (adjusted for any transactions affecting it after the Combined Shareholders' Meeting of May 27, 2020) over a 24-month period starting with the adoption of the twenty-fifth resolution proposed to the Combined Shareholders' Meeting of May 27, 2020, i.e. no later than May 22, 2021.

# 5.7 SPECIAL REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS

Annual General Meeting held to approve the financial statements for the year ended December 31, 2019

Statutory auditors' report on related party agreements

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

To the Annual General Meeting of Transgene S.A.,

In our capacity as statutory auditors of your company, we hereby present to you our report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)*, to assess the relevance of these agreements prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code *(Code de commerce)* of the continuation of the implementation, during the year ended December 31, 2019, of the agreements previously approved by the Annual General Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors *(Compagnie nationale des commissaires aux comptes)* relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

## Agreements submitted for approval to the Annual General Meeting

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been notified of the following related party agreements which received prior authorization from your Board of Directors.

### 1. With ABL Europe (a wholly owned subsidiary of ABL Inc., wholly owned by TSGH S.A.S., in turn 99.14%-owned by Institut Mérieux)

#### Persons concerned

Messrs. Hedi Ben Brahim, Jean-Luc Bélingardand Philippe Archinard, and Ms Dominique Takizawa.

#### Nature and purpose

Agreement entered into on May 23, 2019 concerning the terms applied to the bioproduction services provided by ABL Europe to your cCpany following the expiry of the Exclusive Services Agreement signed in February 2016.

#### Conditions

This agreement does not renew the exclusivity arrangements and volume guarantees contained in the Exclusive Services Agreement.

As at December 31, 2019, your Company recorded an expense in respect of this agreement in the amount of € 27,483.

#### Reasons why the Company benefits from this agreement

Your Board of Directors gave the following reasons:

Securing access to a service provider possessing special skills in bioproduction of viral vectors, facilitating planning and speeding up order-taking.

### 2. With ElsaLys S.A.S. (8.25% stake held by Transgene and 9% by TSGH S.A.S.)

**Persons concerned**

Messrs. Hedi Ben Brahim, Jean-Luc Bélingard and Philippe Archinard, and Ms Dominique Takizawa.

**Nature and purpose**

Agreement concerning payment deadlines entered into on March 20, 2019 between ElsaLys S.A.S. and your cCmpany.

**Conditions**

This agreement authorizes the rescheduling of the deadlines for the payment of the debts owed by ElsaLys S.A.S.

As at December 31, 2019, your Company did not record any expense or income in respect of this agreement.

**Reasons why the Company benefits from this agreement**

Your Board of Directors gave the following reasons:

This agreement is justified by the advantage of avoiding a liquidity crisis and enabling ElsaLys to recover.

## Agreements previously approved by the Annual General Meeting

### Agreements approved in prior years, whose implementation continued during the year ended December 31, 2019

In accordance with Article R. 225-30 of the French Commercial Code *(Code de commerce)*, we have been notified that the implementation of the following agreements, which were approved by the Annual General Meeting in prior years, continued during the year ended December 31, 2019.

### 1. With Institut Mérieux

**Persons concerned**

Messrs. Alain Mérieux, Philippe Archinard and Jean-Luc Bélingard.

**Nature and purpose**

In 2014, your Company tacitly renewed the services agreement entered into with Institut Mérieux on January 1, 2002 (modified by two amendments in 2007).

**Conditions**

In accordance with the first amendment, the remuneration is based on the services provided by Institut Mérieux (costs and personnel expenses plus 8%). This remunerationis allocated to the companies of the Institut Mérieux group according to three allocation keys based on the respective importance of fixed assets, revenue and total payroll.

The second amendment addresses the conditions of allocating the cost of free share awards if the beneficiary employee was transferred within the Institut Mérieux group during the vesting period. The company of Institut Mérieux group that grants the free shares rebills the costs related to the free share awards, without any profit margin, in proportion to the time spent by the concerned employee in each company during the vesting period.

As at December 31, 2019, your Company recorded an expense amounting to € 438,641. In addition, a € 33,335 adjustment in respect of the year 2018 was recognized in financial year 2019.

## 2. With ABL Europe S.A.S. (a wholly owned subsidiary of ABL Inc., wholly owned by TSGH S.A.S., in turn 99.14%-owned by Institut Mérieux)

### Persons concerned

Messrs Alain Mérieux, Jean-Luc Bélingard andPhilippe Archinard, and Ms Dominique Takizawa.

### a) Nature and purpose

Within the scope of the sale of your Company's bioproduction asset to ABL Europe S.A.S., your Company signed an Asset Purchase Agreement as well as the following related agreements:

- Preliminary sale agreement concerning the land and manufacturing building in Illkirch-Graffenstaden;
- Notarial deed concerning the land and manufacturing building in Illkirch-Graffenstaden;
- Transition Services Agreement;
- Sublease agreement concerning a part of the quality control laboratory located at the Company's head office.

*Conditions*

The Asset Purchase Agreement sets forth the conditions for the sale by your Company to ABL Europe S.A.S. of the bioproduction asset, including the dedicated building and land, for a total amount of M€ 3.5.

The Transition Services Agreement sets forth the terms and conditions for the transitional period between the start of your Company's reorganization and the effective sale of the bioproduction asset.

Lastly, the sublease agreement stipulates the terms of use by ABL Europe S.A.S. of a part of your Company's quality control laboratory.

As at December 31, 2019, your Company recorded an income amounting to € 205,226 in respect of the sublease agreement concerning a part of the quality control laboratory located at the Company's head office.

### b) Nature and purpose

Within the scope of the sale of your company's bioproduction asset to ABL Europe S.A, your company signed a Social Agreement concerning the redeployment of employees.

*Conditions*

This agreement sets forth the terms for the partial takeover of the employees assigned to bioproduction.

As at December 31, 2019, your company recorded an expense in the amount of € 10,212 in respect of a mutually agreed termination covered by this agreement.

### c) Nature and purpose

Within the scope of the sale of the bioproduction asset by your company to ABL Europe S.A.S., your company entered into an Exclusive Services Agreement.

*Conditions*

This agreement sets forth the terms for the exclusive sale of bioproduction services by ABL Europe S.A.S. to your Company. The amount under this agreement is MEUR 3 per year for a three-year period. This agreement was replaced by a new Master Services Agreement on May 23, 2019.

As at December 31, 2019, your Company recorded an expense amounting to € 4,133,536 in respect of this agreement.

## Agreements approved in prior years, which were not implemented during the year ended December 31, 2019

In addition, we have been notified that the following agreements, which were approved by the Annual General Meeting in prior years, were not implemented during the year ended December 31, 2019.

### 1. With Institut Mérieux, bioMérieux S.A., Mérieux NutriSciences Corporation, ABL Inc., Théra Conseil, Mérieux Développement, SGH S.A.S. and Fondation Mérieux

**Persons concerned**

Messrs. Alain Mérieux, Jean-Luc Bélingard and Philippe Archinard, and Ms Dominique Takizawa.

**Nature and purpose**

Agreement relating to the management of employee mobility within Institut Mérieux group or Fondation Mérieux.

**Conditions**

For employees who have worked in group's companies and whose length of service in these companies has been taken into account without compensation, the costs relating to the termination of those employees' employment contracts and/or retirement will be allocated to the companies concerned according to an equitable economic allocation key. These costs will henceforth be allocated in proportion to the remuneration paid by each company Mérieux group that has benefited from the employees' services, excluding remuneration having served as a base for the payment of a previous termination indemnity

This agreement did not have effect in respect of the financial year ended December 31, 2019.

Lyon and Paris-La Défense, March 30, 2020

The Statutory Auditors

French original signed by

| GRANT THORNTON<br>*FRENCH MEMBER OF GRANT THORNTON INTERNATIONAL* | ERNST & YOUNG ET AUTRES |
|---|---|
| Françoise Méchin | Cédric Garcia |

# 5.8 EMPLOYEES

## 5.8.1 Workforce

See the workforce table in Section 3.2.1.1.

## 5.8.2 Profit-sharing agreement

A profit-sharing agreement has existed since 1993, pursuant to the regulations in force. In light of the Company's deficit situation, no profit has been shared with employees under this agreement as of the date of this Registration Document.

# 6

# ADDITIONAL INFORMATION

# 6.1 PERSONS RESPONSIBLE

## 6.1.1 Persons responsible for information

**Philippe Archinard**
Chief Executive Officer

**Jean-Philippe Del**
Chief Financial Officer

**John Felitti**
Vice-President Corporate Secretary

Telephone: 03 88 27 91 21
Fax: 03 88 27 91 11
www.transgene.fr

## 6.1.2 Declaration by the responsible person

I, the undersigned, having taken all reasonable measures for the purpose, hereby certify that the information contained in this Registration Document gives, to the best of my knowledge, a true and fair view of facts and is free from material misstatements.

I hereby certify that, to my knowledge, the financial statements have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and profits and losses of the Company and of all the companies within the scope of consolidation, and that the management report on pages 210 to 217 presents a true and fair view of the business, profits and financial position of the Company and of all the companies within the scope of consolidation and a description of the principal risks and uncertainties they face.

**Philippe Archinard**
Chief Executive Officer

# 6.2 FINANCIAL AUDIT MANAGERS

## 6.2.1 Statutory Auditors

### PRINCIPAL STATUTORY AUDITORS

| | |
|---|---|
| **ERNST & YOUNG et Autres**<br>**1/2, place des Saisons**<br>**92400 Courbevoie – Paris-La Défense**<br>**represented by Cédric Garcia** | **Grant Thornton**<br>**44, quai Charles de Gaulle**<br>**69006 Lyon**<br>**represented by Françoise Méchin** |

**Ernst & Young et Autres** is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles and of the Ernst & Young network. **Grant Thornton** is a member of the Compagnie Régionale des Commissaires aux comptes de Lyon and of the Grant Thornton International Ltd network.

| DATES OF APPOINTMENT AND EXPIRATION OF TERM | |
|---|---|
| Appointed May 29, 1996 and renewed February 16, 1998, and again on June 9, 2004, on June 17, 2010 and on May 24, 2016 until the General Shareholders' Meeting called to approve the 2021 financial statements. | Appointed May 24, 2016, until the General Shareholders' Meeting called to approve the 2021 financial statements. |

### ALTERNATE STATUTORY AUDITORS

| | |
|---|---|
| **Auditex**<br>**Tour Ernst & Young**<br>**1/2, place des Saisons**<br>**92400 Courbevoie – Paris-La Défense 1** | **IGEC**<br>**3, rue Léon-Jost**<br>**75017 Paris** |

| DATES OF APPOINTMENT AND EXPIRATION OF TERM | |
|---|---|
| Appointed June 17, 2010 and renewed May 24, 2016 until the General Shareholders' Meeting called to approve the 2021 financial statements. | Appointed May 24, 2016, until the General Shareholders' Meeting called to approve the 2021 financial statements. |

## 6.2.2 Auditors' Fees

| | Ernst & Young et Autres | | | | Grant Thornton | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount (pre-tax) | | % | | Amount (pre-tax) | | % | |
| *(in € thousands)* | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Audit | | - | | - | | - | | - |
| STATUTORY AUDITORS, CERTIFICATION, EXAMINATION OF INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS | | | | | | | | |
| Issuer | 104 | 64 | 68% | 81% | 52 | 50 | 100% | 100% |
| Fully consolidated subsidiaries | - | - | - | - | - | - | - | - |
| **Other due diligence and services directly related to the audit** | | | | | | | | |
| Issuer | 50 | 15 | 32% | 19% | 45 | - | 100% | - |
| Fully consolidated subsidiaries | - | - | - | - | - | - | | - |
| **Sub-total** | **154** | **79** | **100%** | **100%** | **97** | **50** | **100%** | **100%** |
| OTHER SERVICES PROVIDED BY NETWORKS TO FULLY CONSOLIDATED SUBSIDIARIES | | | | | | | | |
| Legal, tax and social | - | - | - | - | - | - | - | - |
| Other (specify if > 10% of the audit fees) | - | - | - | - | - | - | - | - |
| **Sub-total** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL** | **154** | **79** | **100%** | **100%** | **97** | **50** | **100%** | **100%** |

# 6.3 THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

None.

# 6.4 DOCUMENTS ON DISPLAY

Throughout the validity period of this Registration Document, the following documents may be consulted:

- the corporate bylaws;
- all the reports, correspondence and other documents, background financial information, evaluations and declarations prepared by experts at the Company's request, a portion of which is included or referred to in the Registration Document;
- the Company's background financial information and that of its subsidiary for each of the two fiscal years preceding the publication of the Registration Document;
- the Board's rules of procedure.

These documents may be consulted on the website: www.transgene.fr requested or from Jean-Philippe Del, CFO.

# 6.5 CROSS-REFERENCE TABLES

In order to facilitate the reading of the Universal Registration Document, the following table identifies the main information required by Annex 1 of European regulation No. 2019/980.

| | | Section of the Universal Registration Document |
|---|---|---|
| **1.** | **Persons responsible** | |
| 1.1 | Name and position | 6.1.1 |
| 1.2 | Declaration by the person responsible | 6.1.2 |
| 1.3 | Expert declaration and declaration of interests | N/A |
| 1.4 | Third party information | 6.3 |
| 1.5 | Statement by the competent authority | N/A |
| **2.** | **Statutory Auditors** | **6** |
| 2.1 | Statutory Auditors | 6.2.1 |
| 2.2 | Statutory auditors who resigned, having been relieved of their engagement or not having been re-engaged during the period covered | N/A |
| **3.** | **Risk factors** | **1.4** |
| **4.** | **Information about the issuer** | **5** |
| 4.1 | Legal and trade name of the company | 5.4.1.1 |
| 4.2 | Place, registration number and LEI of the Company | 5.4.1.2 |
| 4.3 | Date of incorporation and term of the Company | 5.4.1.3 |
| 4.4 | Company registered office, legal form, governing law and website | 5.4.1.4 |
| **5.** | **Business overview** | **1** |
| 5.1 | Principal activities | 1.2.1 |
| 5.2 | Principal markets | 1.2.6 |
| 5.3 | Major events | 1.3.1 and 6.7 |
| 5.4 | Strategy and objectives | 1.2.1.1 |
| 5.5 | Dependence of the issuer on patents, licenses, contracts and manufacturing processes | 1.4.6 |
| 5.6 | Issuer's competitive position | 1.2.6 |
| **5.7** | **Investments** | **1** |
| 5.7.1 | Major investments | 1.3.5 |
| 5.7.2 | Major investments in progress or for which firm commitments have been made | 1.3.5 |
| 5.7.3 | Investments in businesses in which the issuer holds equity | 4.1.2 |
| 5.7.4 | Environmental issue that might influence the issuer's use of its property, plant and equipment | N/A |
| **6.** | **Organizational structure** | **2** |
| 6.1 | Summary description of the group | 1.2.7 |
| 6.2 | List of major subsidiaries | 1.2.7.2 |
| **7.** | **Review of financial position and results** | **4** |
| 7.1 | Financial position | 4.1, 4.3 |
| 7.1.1 | Change in issuer's financial performance | 4.1, 4.3 |
| 7.1.2 | Probable change in issuer's business activities and R&D activities | 6.7 |
| 7.2 | Net operating income | 1.3.3, 4.1, 4.3 |
| 7.2.1 | Important factors, unusual or infrequent events or new developments | 1.3.3, 4.1, 4.3 |
| 7.2.2 | Reasons for significant changes in net sales or revenues | 1.3.3, 4.1, 4.3 |

| | | Section of the Universal Registration Document |
|---|---|---|
| **8.** | **Cash and equity** | **1.3.4** |
| 8.1 | Information on the issuer's equity | 1.3.4 |
| 8.2 | Issuer's cash flow | 1.3.4 |
| 8.3 | Issuer's financing needs and financing structure | 1.3.6 |
| 8.4 | Restrictions on the use of the issuer's equity | N/A |
| 8.5 | Financing sources of expected cash flows | 1.3.4 |
| **9.** | **Regulatory environment** | **1.2.1.2** |
| **10.** | **Information about trends** | **1.3.6.1** |
| 10.1 | Main trends affecting production, sales and inventories, costs and selling prices and significant changes in the Group's financial performance since the end of the last financial year up to the date of registration of the Universal Registration Documen | 1.3.6.1 |
| 10.2 | Known trend, uncertainty or demand or commitment or event reasonably likely to materially affect the outlook, at least for the current fiscal year | 1.3.6.1 |
| **11.** | **Profit forecasts or estimates** | **1.3.6.2** |
| **12.** | **Administrative, management, oversight and general management bodies** | **2** |
| 12.1 | Composition of the administrative, management, oversight and general management bodies | 2.1 |
| 12.2 | Conflicts of interest affecting the administrative, management, oversight and general management bodies | 2.1.2.3 |
| **13.** | **Compensation and benefits** | **2** |
| 13.1 | Compensation, benefits in kind, options and stock awards granted to the corporate officers | 2.3 |
| 13.2 | Total amount provisioned for the payment of pensions, retirement and other benefits | 2.3.2 |
| **14.** | **Functioning of administrative and management bodies** | **2** |
| 14.1 | Expiration date of corporate offices | 2.1 |
| 14.2 | Service contract linked to the Company's administrative, management or supervisory bodies | 2.1.2.2 |
| 14.3 | Audit Committee and Compensation Committee | 2.2.2 |
| 14.4 | Statement on corporate governance | 2.2.1 |
| 14.5 | Impact of future changes in the composition of boards and committees | N/A |
| **15.** | **Employees** | **3.2.2.2, 5.8** |
| 15.1 | Human resources | 3.2.1.1 |
| 15.2 | Equity investments and stock options | 2.4.1 |
| 15.3 | Employee share ownership agreement | 5.8.2 |
| **16.** | **Principal shareholders** | **5.2** |
| 16.1 | Shareholders owning more than 5% of the share capital or voting rights | 5.2.1 |
| 16.2 | Existence of different voting rights | 5.2.2 |
| 16.3 | Control of the company by the principal shareholders | 5.2.3 |
| 16.4 | Shareholder agreements | 5.2.4 |
| **17.** | **Related-party transactions** | **5.5, 5.7, 4.3 Notes 20 and 29** |
| **18.** | **Financial information concerning the assets, financial position and results of the company** | **4** |
| 18.1 | Background financial information | 1.3, 4.1, 4.3 |
| 18.1.1 | Audited historical financial information for the last three years and the auditors' report prepared for each of those three periods | 4.1, 4.3 |
| 18.1.2 | Change in accounting baseline date | N/A |
| 18.1.3 | Accounting standards | 4.1.2 Notes 1 and 2 |
| 18.1.4 | Change in accounting standards | N/A |
| 18.1.5 | Financial statements (French GAAP) | 4.3 |

| | | Section of the Universal Registration Document |
|---|---|---|
| 18.1.6 | Consolidatedinancial information | 4.1 |
| 18.1.7 | Date of latest financial information | 4.1 |
| 18.2 | Interim and other financial information | 4.1.3 |
| 18.3 | Audit of historical annual financial information | 4.2, 4.4 |
| 18.4 | Pro forma financial information | 4.5 |
| 18.5 | Dividend policy | 1.3.3 |
| 18.6 | Legal and arbitration proceedings of this Registration Document. | 1.4.6.4, 4.1.2.9 |
| 18.7 | Significant change in the issuer's financial position | 1.3.6.3 |
| **19.** | **Additional information** | **5** |
| 19.1 | Capital stock | 5.1 |
| 19.1.1 | Amount of equity issued, total authorized capital stock, number of shares issued and fully paid in, number of shares issued but not fully paid in, par value per share and reconciliation of the number of shares outstanding on the opening date and on the closing date of the financial year | 5.1.1 |
| 19.1.2 | Number and main features of shares not representing capital | 5.1.2 |
| 19.1.3 | Number, carrying amount and par value of shares held by the Company itself or on its behalf by its subsidiaries | 5.1.3 |
| 19.1.4 | Convertible securities, exchangeable securities or securities with warrants | 5.1.4 |
| 19.1.5 | Conditions governing any right of acquisition or any obligation attached to the capital authorized but not issued, or any undertaking to increase the share capital | 5.1.5 |
| 19.1.6 | Equity of any member of the Group subject to an option or a conditional or unconditional agreement to place it under option | 5.1.6 |
| 19.1.7 | Changes to share capital | 5.1.7 |
| 19.2 | Articles of incorporation and bylaws | 5.3 |
| **20.** | **Material Contracts** | **1.2.3, 1.2.4.2** |
| **21.** | **Documents available** | **6.4** |

## Cross-reference table between the Universal Registration Document and the Annual Financial Report

The cross-reference table below enables the main information stipulated in Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General regulation of the Autorité des marchés financiers to be identified.

| Headings | Sections |
|---|---|
| Transgene annual financial statements | 4.3 |
| Transgene Group consolidated financial statements | 4.1 |
| Management report *(including at a minimum the information indicated in Articles L. 225-100, L. 225-100-2, L. 225-100-3 and L. 225-211 paragraph 2 of the French Commercial Code)* | 6.7 |
| Information contained in Articles L. 225-100 and L. 225-100-2 of the French Commercial Code | |
| ▪ Analysis and change in business, results and debt situation | 1.3 |
| ▪ Key financial and extra-financial performance indicators | 1.1 |
| ▪ Use of financial instruments by the Company | 1.4.2.2 |
| ▪ Main risks and uncertainties | 1.4 |
| ▪ Table of delegations on capital increases | 5.1.5 |
| Information contained in Article L. 225-100-3 of the French Commercial Code: Factors that could have an impact in the event of a public offering | 5.2.4 |
| Information contained in Article L. 225-211 of the French Commercial Code: share buyback programs | 5.6 |
| Declaration by the person responsible for the Annual Financial Report | 6.1.2 |
| Statutory Auditors' report on the annual financial statements | 4.4 |
| Statutory Auditors' report on the consolidated financial statements | 4.2 |
| Auditors' fees | 6.2.2 |
| Report by the Chairman of the Board of Directors (Article L. 225-37 of the French Commercial Code) on corporate governance | 2.2 |
| Statutory Auditors' report on the Report by the Chairman of the Board of Directors on corporate governance | 4.4 |

## Cross-reference table between the Universal Registration Document and the management report

This Registration Document includes all of the items of the management report required by legal and regulatory provisions. The table below identifies the pages of this Registration Document that comprise the main items of the management report.

| Headings | Sections |
|---|---|
| Group business and change in business | 1.2, 1.3 |
| Group business results | 4.1 |
| Amendments to the presentation of the annual financial statements or to the assessment methods followed in previous years | 1.3.2 |
| Recent events | 1.3.1 |
| Foreseeable changes in the Company and outlook | 1.3.6 |
| Supplier payment terms | 6.7 |
| Amount of dividends distributed over the last three fiscal years | 1.3.3 |
| Table of results over the last five fiscal years | 6.7 |
| Main risks, management and hedging | 1.4 |
| Research and development | 1.2 |
| Subsidiaries and investments | 1.2.7.2 |
| Social, environmental and societal information | 3 |
| Corporate officers and executive directors (terms of office, compensation, transactions in Company securities) | 2 |
| Share capital and employee shareholders | 5 |
| Share buybacks | 5.6 |
| Factors that could have an impact in the event of a public offering | 5.2.4 |
| Delegations granted by the Shareholders' Meeting | 5.1.5 |
| Report by the Chairman of the Board of Directors (Article L. 225-37 of the French Commercial Code) on corporate governance and internal control | 2.2 |
| Report on the compensation policy applicable to Executive corporate officers | 2.3 |

# 6.6 GLOSSARY

**Adenovirus:** a member of a family of DNA viruses responsible for diseases of the respiratory tract, eye, and gastro-intestinal tract. The forms of adenovirus used in immunotherapy, particularly the type 5 adenovirus for Transgene, have a favorable tolerability profile.

**Antibody:** antibodies are proteins used by the immune system to identify and neutralize foreign bodies such as bacteria and viruses. The antibody binds itself to a specific location on its target, called the antigen. This binding activates several functions of the immune system, since antibodies have different modes of action depending on their type: some neutralize or disarm the antigens directly while others prepare them for destruction by white blood cells.

**Tumor associated antigen:** an antigen is a substance that causes the organism to mount an immune defense against it. Antigens can be produced by the organism itself (self antigens) or come from the environment (non-self antigens). The latter include toxins, chemicals, bacteria, viruses, parasites and other substances from outside the body. The characteristic antigens of tumor cells or infected cells can be vectorized and integrated into our immunotherapies. Thus the surface antigen of the hepatitis B virus was integrated into TG1050 and the HPV-16 E6 and E7 antigens into TG4001 to increase the immune response to the cells expressing these antigens. Certain tumor antigens are specific to each tumor or patient, in which case they are called neoantigens.

**T cells or T lymphocytes:** type of white blood cells belonging to the immune system and developing from stem cells in bone marrow. They help protect the body from infections and can help fight cancer. Transgene immunotherapies are designed to increase the immune response primarily by activating these T-lymphocytes.

**Cytokine:** a large category of small proteins involved in the immune defense system. Some cytokines boost or inhibit the immune system, as needed.

**Cytolysis – cytolytic:** tending to dissolve (destroy) cells. The cytolysis may be caused by the T-lymphocytes (a specific immune response) or by an oncolytic virus.

**Gene:** the functional and physical unit of heredity, transmitted from parent to child. Genes are components of DNA and most of them contain the information necessary to manufacture a specific protein.

**GM-CSF: CSF (granulocyte-macrophage colony stimulating factor):** a cytokine that acts as a growth factor on white corpuscles, especially granulocytes, macrophages and cells that become platelets. BT-001 contains a sequence that codes for GM-CSF.

**ICI, Immune checkpoint inhibitor or blocker:** new immunotherapy treatment based on monoclonal antibodies. Since 2015 several ICIs have been authorized. Their action mechanism primarily involves interactions between PD-1 and PD-L1 or CTLA4.

**Interleukin 2 (IL-2):** a cytokine that stimulates the growth of certain cells in the immune system involved in the defense of the organism.

**Lymphocytes:** immune cells (white corpuscles) produced by bone marrow and found in blood and lymph. The two principal types of lymphocytes are B cells and T cells. B lymphocytes produce antibodies and T lymphocytes help destroy tumor cells and control the immune response.

**Metastasis:** the spread of cancer cells from one part of the body to another.

**MUC1:** protein found in certain epithelial cells, which line the internal surfaces of the organism (lungs, stomach, breasts, ovaries, intestines, etc.). The aberrant form of MUC1 is found in abnormal quantities in cancer patients, known as a tumor associated antigen or TAA.

**MVA (Modified *Vaccinia* Ankara):** a highly attenuated strain of the vaccine developed towards the end of the campaigns to eradicate smallpox MVA is an attenuated virus often used to develop vaccines for antigen expression. MVA is a desirable vaccine strain for clinical studies because of its outstanding safety. TG4001 and TG4050 resulted from MVA.

**PD-1, PD-L1:** the PD-1 molecule, found on the surface of t-cells, binds to the PD-L1 molecule, on the surface of certain cancer cells. This interaction prevents the t-lymphocyte from acting on the abnormal cell and allows the tumor to grow. By inhibiting PD-1 or PD-L1, the ICIs help the immune system to once again be able to eliminate cancer cells. These markers, however, are expressed in patients to varying degrees. When patients have a high level of PD-L1s, ICIs have shown genuine effectiveness with certain diagnoses. When the PD-L1 level is low or undetectable (“negative PD-L1” patients), ICIs have not, to date, shown sufficient effectiveness.

**Phase 1 (clinical study):** first trial stage of a medication in humans. The phase 1 study tests treatment on a small number of people in order to evaluate safety and the maximum dose tolerated.

**Phase 2 (clinical study):** phase 2 clinical studies include a greater number of patients than phase 1 and are designed to evaluate the safety, dosage and sometimes the effectiveness of the new drug or treatment.

**Phase 3 (clinical study):** phase 3 clinical studies can involve hundreds or thousands of patients depending on the disease, and are designed to evaluate the safety and effectiveness of a drug in a controlled setting.

**Poxvirus:** a large family of DNA viruses, the best known of which are the vaccine viruses that enabled the global eradication of smallpox in the late 1970s. Because it is so effective, this virus family is now used for other infectious diseases (HIV, tuberculosis, RSV) or in oncology (therapeutic vaccines, oncolytic agents).

**Proof of concept:** First demonstration of the mechanism of action or first sign of effecacy. This is obtained after conducting preliminary, physical experiments in a preclinical and clinical phase (Phases 1 and 2). This important stage is necessary to continue the development of a candidate medication. Proof of concept: must be validated by broader studies, such as Phase 2 or 3 clinical trials.

**Protein:** a molecule made up of chains of units called amino acids. There are 21 of these amino acids. These molecules play a number of roles: structural, as sensors, for repair, etc.

**Protocol:** the detailed plan of a scientific or medical experiment, a treatment or procedure. The protocol of a clinical study describes what is done, how and why.

**Neoantigen:** an antigen normally not expressed in the organism and induced by tumors These are specific to the tumor. Several published papers attest to their strong immunogenic power. They are the cornerstone to the *myvac*® approach.

**Randomized:** in a randomized clinical study the patients are assigned by chance to separate groups to compare different treatments.

**Receptor:** a molecule inside or on the surface of a cell that binds to a specific substance and causes a biological reaction in the cell.

**Refractory:** a disease is said to be refractory or resistant if it does not respond to a treatment.

**Objective tumor response:** an objective tumor response is measurable. It is most often evaluated with medical imaging and is one of the major indicators in evaluating a cancer therapy.

**Stage:** the level of growth of a cancer. Stage is generally determined by the volume of the tumor, whether or not the lymph nodes have been affected and by the extent to which the cancer has spread from the original site to other areas of the body. Stages run from 0 to IV, with IV being the most advanced stage.

**Targeted therapy:** a treatment that uses drugs to specifically identify, block or destroy cancer cells, with less damage to normal cells.

**Solid tumor:** an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors can be benign (non-cancerous) or malignant (cancerous).

**Therapeutic vaccines:** their purpose is to induce innate and adaptive immune responses by triggering a cascade of immune reactions that result in the production of T-lymphocytes that specifically destroy the tumor/infected cells.

**Viral vaccine vector:** an attenuated form of a virus transporting one or several antigens. The vector is used to produce one or more antigens in the organism and stimulate the immune system, forcing it to mount an immune response against the targeted antigen(s).

**Oncolytic virus:** a virus that selectively infects cancer cells and destroys them. When the infected cancer cells are destroyed by lysis, they liberate new infectious viral particles that in turn help destroy the surrounding tumor cells. Besides directly destroying tumor cells, oncolytic viruses stimulate tumor-fighting immune responses in the patient. TG6002 and BT-001 are oncolytic viruses. A first oncolytic virus, Imlygic®, has been authorized for patients with metastatic melanomas.

*Some definitions were adapted from the online dictionary of the National Cancer Institute at www.cancer.gov.*

# 6.7 APPENDIX: MANAGEMENT REPORT FOR THE PERIOD ENDED DECEMBER 31, 2019

Ladies and Gentlemen,

We have called this Ordinary General Shareholders' Meeting to approve the financial statements for the fiscal year ended December 31, 2019 and to vote on several other resolutions.

This management report in addition to the topics it is legally obliged to cover, discusses the business and operations of our Company during the fiscal year ended, points out the key events, analyzes the financial statements and provides an outlook for 2020.

## Major R&D milestones achieved in 2019 and strong clinical activities in 2020

### Multiples R&D milestones achieved in 2019

**2019 saw remarkable advances in our two platforms, *myvac*® et Invir.IO™.** In January 2020, Transgene satisfied all of the regulatory stages necessary for starting clinical trials of TG4050 in the U.S. and Europe. The clinical development of this first individualized therapeutic vaccine derived from myvac® was co-financed by NEC. The collaboration with AstraZeneca is unfolding in very satisfactory fashion and is progressing at a good pace. The first multifunctional oncolytic viruses from the Invir.IO™ platform have been delivered to them. This platform has also generated new candidates, including BT-001, which was co-developed with BioInvent. The preclinical results of this oncolytic virus are very encouraging and lead us to project starting clinical trials before the end of 2020.

**The clinical trials of more mature products continued in 2019.** The results of Phase 1b of the combination trial of TG4001 were presented at the ESMO conference. Three out of six patients that received the recommended dose responded well to the treatment, which is promising for this particularly difficult indication. Phase 2 of this trial continues and recruitments are in line with expectations. The independent data monitoring committee of the Phocus trial assessing Pexa-Vec in phase 3 of the first line of treatment for liver cancer recommended it to be discontinued, judging attainment of the main evaluation criterion not very likely. Transgene had decided to end the trial, for the same indication, with Pexa-Vec and nivolumab. In December, Transgene announced that the assessment criterion had not been attained in the combination trial of TG4010 for lung cancer and that the Company would not continue with the clinical development of this product. To date, Transgene's portfolio consists of four products in clinical development (TG4001, TG4050, TG6002 and BT-001) and two new generation platforms (*myvac*® et Invir.IO™).

**Transgene has the resources to continue the development of its portfolio of products.** In 2019, the Company received $10 million upon signing a contract with AstraZeneca. It also added to its equity with a successful €48.7 million equity round completed in July 2019, financing obtained from Bpifrance for the NEOVIVA consortium and a €20 million line of credit negotiated with Natixis, secured by the equity held by Transgene in Tasly Biophramceiticals.

Thanks to tis technologies and its diversified portfolio of products, Transgene has a great many avenues to the proofs of concept necessary for signing new partnership agreements.

### 2020: multiple clinical milestones expected

Transgene's portfolio currently consists of four immunotherapy drug candidates in clinical development:

- Two therapeutic vaccines: TG4001 currently being evaluated in a Phase 2 trial and TG4050, the first individualized treatment based on the *myvac*® platform, assessed in two Phase 1 trials.
- Two oncolytic viruses: TG6002, which is being assessed in two Phase 1/2a trials, and BT-001, the first oncolytic virus based on the Invir.IO™ platform, and which is expected to enter the clinic before the end of 2020.

Clinical results for TG4001 and TG6002 are expected in the second quarter of 2020:

The Phase 2 trial of TG4001 in combination with avelumab in HPV-positive cancers is ongoing. Patient recruitment is in line with projections and interim results are expected in the second quarter of 2020.

The Phase 1 trial of TG6002 administered intravenously in patients with gastrointestinal cancers is ongoing. First data are also expected in the second quarter of 2020.

- With *myvac*® and Invir.IO™, Transgene has two next-generation platforms whose potential has been validated by collaboration deals with NEC and AstraZeneca respectively:

### *myvac*® platform

Transgene is developing the therapeutic vaccine TG4050, together with NEC. This is the first individualized vaccine based on the *myvac*® platform. It integrates NEC's Artificial Intelligence technologies. These technologies are used to select the most relevant mutations (neoantigens) that are integrated into the TG4050 vaccine. These AI technologies will also contribute to the in-depth analysis of the patient's immune characteristics, in order to determine the profiles of those who responded to the vaccine.

Data validating the vaccine design principle behind TG4050 are being actively promoted and will be presented at several specialized international congresses.

The first clinical trials assessing TG4050 are ongoing in Europe and in the United States. They are including patients with ovarian cancers and head and neck cancers. NEC is financing 50% of their cost.

The clinical trials are a central part of a broad program of translational research in collaboration with expert centers both in the US and Europe. This program will generate a significant body of data evaluating the activity of TG4050 from these initial clinical trials. The first data are expected in 1H 2021.

The Company has set up an in-house good manufacturing practice (GMP) unit dedicated to the manufacturing of the individualized batches of TG4050 needed for the current Phase 1 trials.

The *myvac*® project is supported by Bpifrance, within the NEOVIVA program. The NEOVIVA project aims to strengthen the development of this highly innovative technology together with three partners: HalioDx, Traaser and Institut Curie. €2.6 million have been allocated to Transgene over five years. The NEOVIVA project is complimentary to the collaboration between Transgene and NEC.

### Invir.IO™ platform

BT-001 is the first oncolytic virus from the Invir.IO™ platform. It is based on Transgene's patented viral vector $VV_{cop}TK^{-}RR^{-}$ which has been designed to encode BioInvent's anti-CTLA4 antibody (an immune checkpoint inhibitor) as well as the cytokine GM-CSF.

Preclinical results with BT-001 have been extremely promising, with treatment leading to the eradication of tumors in several murine models known for their low sensitivity to immune checkpoint inhibitors. These data will be presented at scientific congresses in the coming months. A first-in-human trial is being prepared and BT-001 is expected to enter the clinic before the end of 2020.

The collaboration with AstraZeneca is highly productive with Transgene already delivering the first multi-armed oncolytic viruses to its partner. As a result, Transgene has received $10 million at the time the collaboration was signed and booked €1.3 million related to the achievement of certain preclinical milestones. In 2020, Transgene will continue to design further oncolytic viruses for this collaboration. AstraZeneca can exercise an option to further develop each of these novel drug candidates.

Transgene's patented viral vector, which underpins the Invir.IO™ platform, allows the development of a wide range of multifunctional oncolytic viruses. Transgene has already designed a number of proprietary oncolytic viruses that are being evaluated in preclinical models. A candidate is expected to be selected with the aim of submitting a clinical trial application in 2H 2020 ahead of starting a clinical trial in 2021.

## Summary of key ongoing clinical trials

| **TG4001** | **Targets: HPV16 E6 and E7 oncoproteins** |
|---|---|
| + Bavencio® (avelumab)<br>Phase 2 | HPV-positive cancers including oropharyngeal head and neck cancer – 2nd line |
| | • Clinical collaboration with Merck KGaA and Pfizer, for the supply of avelumab<br>• Publication of the results of a Phase 2b trial of TG4001 in Gynecologic Oncology (April 2019), demonstrating the biological activity of this immunotherapeutic in CIN 2/3 lesions; editorial in The Lancet Oncology (April 2019)<br>• Positive results of the Phase 1b part of the trial presented at ESMO (Sept. 2019) Three of the six patients who received the recommended dose responded to the treatment. The observed responses were durable.<br>▶ Interim Phase 2 results expected in 2Q 2020. |

| myvac® TG4050 | Targets: tumor neoantigens |
|---|---|
| Phase 1 | Ovarian cancer – after first-line surgery and adjuvant therapy |
| | • Trial authorized in the United States (May 2019) and in France (Sept. 2019)<br>• Principal investigator: Matthew Block (Mayo Clinic)<br>• First patient enrolled in January 2020<br>▶ First data expected in 1H 2021 |
| Phase 1 | HPV-negative head and neck cancer – after surgery and adjuvant therapy |
| | • Trial authorized in the United Kingdom (July 2019) and in France (Sept. 2019)<br>• Principal investigator: Christian Ottensmeier (Southampton University)<br>• First patient enrolled in January 2020<br>▶ First data expected in 1H 2021 |

| TG6002 | Payload: FCU1 for the local production of a chemotherapy agent |
|---|---|
| Phase 1/2a | Gastro-intestinal adenocarcinoma (colorectal cancer for Phase 2) – Intravenous (IV) route |
| | • Publication in Molecular Therapy Oncolytics (March 2019) highlighting the promising activity of TG6002 in preclinical colorectal carcinoma models<br>• Multicenter trial ongoing in Belgium, France and Spain<br>• Last dose levels currently being evaluated (Phase 1 part)<br>▶ First results of the Phase 1 part expected in 2Q 2020 |
| Phase 1/2a | Colorectal cancer with liver metastasis – Intrahepatic artery (IHA) route |
| | • Multicenter trial authorized in the United Kingdom (July 2019)<br>• First patient treated in February 2020<br>▶ First results expected in 1H 2021 (Phase 1 part) |

| Invir.IO™ BT-001 | Payload: anti-CTLA4 antibody and GM-CSF cytokine |
|---|---|
| Phase 1/2 | Solid tumors |
| | • Collaboration with BioInvent<br>• First clinical trial application submitted<br>▶ Presentation of very encouraging preclinical results at upcoming scientific congresses<br>▶ First clinical trial expected to start before the end of 2020 |

## Change in financial position

At December 31, 2019, Transgene's available cash and available-for-sale financial assets totaled €43.3 million. Transgene forecasts net cash outflows for 2020 to be around €25 million.

The 2019 corporate financial statements, which will be put to the Ordinary General Shareholders' Meeting for approval, show a loss of €22 million and shareholders' equity of €58 million.

## Significant events after the balance sheet date

None.

## Other items

### Transactions by senior executives and corporate officers in the Company's securities

None.

### Employee interests in the Company's share capital

Employee interests in the Company's share capital are not significant. There are no collective plans ( e.g., Employee Savings Plans (PEE) or Employee Shareholding Funds (FCPE)); and at December 31, 2019 it is estimated that employees held 534,870 registered shares from share plans.

### Factors that could have an impact in the event of a public offering

Capital structure: the majority shareholder is TSGH, a company owning 60.4% of Transgene S.A. The Company is ultimately controlled by Alain and Alexandre Mérieux through Compagnie Mérieux Alliance, which owns 99.7% of Institut Mérieux which itself owns 99.1% of TSGH.

The Company has the use of a liquidity contract under the share buyback program authorized by the General Shareholders' Meeting of June 8, 2017. As of December 31, 2019, Transgene held 164,183 treasury shares under this contract.

Furthermore, the Company has not set up any measures, statutory or conventional, that may impact a public offering and has no knowledge of any agreements between shareholders likely to affect them.

## Information on supplier and client payment terms

Article L. 441-6 paragraph 9 of the French Commercial Code provides that the time agreed upon between the parties for the payment of sums due may not exceed 45 days from the last day of the month or 60 days from the invoice date. Absent an agreement, the maximum period is 30 days from the date of receipt of the merchandise or performance of service.

With regard to Transgene's supplier invoices that were not paid at the end of the year, the breakdown by settlement date is as follows:

| | At 12/31/2019 | | At 12/31/2018 | |
|---|---|---|---|---|
| Maturity | Euros | % of total | Euros | % of total |
| Past due | 528,190 | 29% | 148,074 | 30% |
| Between 1 and 30 days | 1,245,694 | 69% | 327,496 | 68% |
| Between 31 and 45 days | 1,795 | 0.1% | 1,440 | 1% |
| Between 46 and 60 days | 20,071 | 1% | 2,207 | 1% |
| Between 61 and 75 days | | | - | - |
| Between 76 and 90 days | | | - | - |
| Between 91 and 105 days | | | - | - |
| Between 106 and 120 days | | | - | - |
| More than 120 days | | | - | - |
| **TOTAL** | **1,795,750** | **100%** | **479,217** | **100%** |

### SUMMARY OF UNPAID INVOICES RECEIVED AND ISSUED AT THE CLOSING DATE OF THE FINANCIAL YEAR WHICH ARE DUE:

| | SUPPLIERS: Unpaid invoices received at the closing date of the financial year which are due | | | | | CLIENTS: Unpaid invoices issued at the closing date of the financial year which are due | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days and more | Total (1 day and more) | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days and more | Total (1 day and more) |
| **(A) LATE PAYMENT TRANCHE** | | | | | | | | | | |
| Number of invoices | - | - | - | - | 54 | - | - | - | - | 5 |
| Total amount of invoices with tax | 444,622 | 24,180 | 6,694 | 52,694 | 528,190 | 51,087 | - | 4,013 | - | 55,100 |
| Percentage of the total amount of purchases for the financial year with tax | 2.23% | 0.12% | 0.03% | 0.26% | 2.65% | - | - | - | - | - |
| Percentage of financial year revenue specify with tax | - | - | - | - | - | 0.60% | - | 0.05% | - | 0.65% |
| **(B) INVOICES EXCLUDING (A) INVOLVING DISPUTED OR NON-RECOGNIZED LIABILITIES AND RECEIVABLES** | | | | | | | | | | |
| Number of invoices | - | - | - | - | - | - | - | - | - | - |
| **(C) REFERENCE PAYMENT PERIODS USED (CONTRACTUAL OR LEGAL PERIODS – ARTICLE L. 441-6 OR ARTICLE L. 443-1 OF THE FRENCH COMMERCIAL CODE)** | | | | | | | | | | |
| Payment terms used to calculate the late payment | Legal terms/sometimes contractual terms | | | | | Contractual terms | | | | |

# Internal control procedures

The Company has implemented operating procedures, in particular related to the control of the commitment of financial and human resources, thereby creating a control environment. As it has evolved, the Company has adjusted its control objectives and methods, in particular to control its cash assets, which are its main financial resource, its key performance risks associated with the management of its projects and strategic partnerships, and, more generally, its compliance with regulatory duties applicable to biotechnology companies and to listed companies.

## Internal control objective and definition

Internal control is a Company system, defined and implemented on its own responsibility, which aims to ensure:

- compliance with applicable regulations and laws;
- the application of instructions and guidelines fixed by senior management;
- the proper functioning of the Company's internal processes, particularly those designed to protect its assets; and
- the reliability of financial information.

Generally speaking, the Company's internal controls contribute to controlling its activities, the effectiveness of its operations and the efficient use of resources. By contributing to the prevention and control of risks of not achieving the Company's objectives, the internal control system plays a key role in the conduct and management of the Company's various activities. Accordingly, the Company introduced an enhanced control system on the key items of its main risks: liquidity risk and cash conservation, the risk of executing its clinical development plan through tight project management and quality risk through a quality assurance system. However, internal controls cannot provide an absolute guarantee that the Company's objectives will be achieved.

Transgene has adopted the internal control reference framework provided by the AMF for mid- and small-cap companies.

## Control environment

### Internal control bodies and contributors at Transgene

#### Board of Directors and its committees

The first part of the report describes the conditions under which the Board of Directors contributes to the optimization of the Company's activities. The Audit Committee reviews the internal control process, specifically with respect to validation of the internal control action plan and the Company's financial communications. In that connection, it familiarizes itself before every interim and annual reporting with the Group's financial statements and the accompanying notes. The independent directors who are physicians or researchers (Drs. Bizzari, Saïd and Zitvogel) take part in special meetings to monitor the Company's clinical development policy. They act as advisers to the Company's Medical and Regulatory Affairs Department.

#### Executive Committee

Under the leadership of the Chairman and CEO, every week by teleconference and every month in person, the Executive Committee brings together the eight members representing each of the Company's functional and operating departments. Other than tasks related to project management, it considers the Company's operations, monitors all aspects of management in terms of the operating plan and objectives assigned by the Board of Directors, and deliberates on all organizational and operational strategy items placed on the agenda by its members. Twice a year the Executive Committee reviews Quality Management.

#### "Project" organization

Transgene's organization is based on functional departments, the coordination of which is ensured via a strong "project" strategy. Research programs, products under development and subcontracting are managed by project, headed by a project leader, and are the subject of reports. The project leader is responsible for coordinating, leading and optimizing the various cross-functional tasks required to ensure the project's success. The project leader prepares a development plan and schedule and provides monthly reports on the milestones achieved and unforeseen difficulties. A specialized project management committee meets at least monthly to track project management. The committee comprises primarily Executive Committee members and project managers, who present an overview of the projects that they oversee. It provides an opportunity to track all the research and development projects, ensure correct allocation of resources for each project and define priorities where necessary.

The Company uses collaborative project management software, which is shared by all departments and whose main functions are:

- consolidated management of the project portfolio;
- detailed project and resource planning;
- tracking the progress of tasks and time spent.

#### Finance Department

The Finance Department's role is to provide administrative and budgetary support to the line departments, to prepare management analyses for senior management, to enable effective financial decisions and the optimization of resources, and to ensure compliance with financial and accounting regulations, particularly for a publicly-traded company. Within this Department, the Head of Administration and Finance is charged with implementing and improving accounting and financial procedures, along with overseeing the action plan established after the annual audit.

## Corporate Secretary

The Corporate Secretary monitors the legality of the Company's and subsidiaries' activities and ensures compliance with the laws and regulations in effect and also supervises internal controls and risk management. He is notably the organization's compliance and ethics officer.

## Control environment in the pharmaceutical industry

Research and development, preclinical tests, clinical trials, facilities and equipment and the manufacture and marketing of therapeutic products are subject to very thorough regulations devised by numerous governmental authorities in France, Europe, the United States and other countries. The European Medicines Agency (EMA), the French Agence nationale de sécurité du médicament et des produits de santé (ANSM), the Food and Drug Administration (FDA) in the United States and others, require compliance with stringent conditions for the manufacturing, development and commercialization of products such as those developed by Transgene. Pharmaceutical companies are subject to regular visits by these bodies to identify deficiencies and appropriate remedies.

Such an environment of rigorous controls calls for an internal control system capable of ensuring compliance with standards. This is why the Company has set up:

- a Quality Assurance Department, whose purpose is to meet regulatory requirements in terms of the quality and the safety of pharmaceutical products for human use. Thus, the Quality Assurance Department comprises;
- System Quality, which rolls out, manages and improves all Quality Assurance processes, handles the quality documentation system, in-house and third-party quality audits, clinical audits of suppliers' Quality Assurance, quality training, as well as checking IT systems and the Company's ongoing compliance with pharmaceutical standards. This entity is also in charge of managing regulatory inspections and partner audits and their follow-up;
- a group overseeing the quality of clinical operations which audits documents and checks that the procedures have been properly applied in clinical studies. Transgene complies with the rules described in the Good Clinical Practices of the International Conference on Harmonization or national regulations, if the latter are stricter;
- a Quality Research team that integrates the Quality system upstream of the product development process, as well as technological experts who liaise with subcontractors for technology transfers.

## Control environment within the Institut Mérieux group

Since late 2010, member companies of the Institut Mérieux group have been participating in a comprehensive internal control program coordinated by the Institut Mérieux. Each group company analyzes its risks and approves its own audit program. The audit itself is performed by a cross-functional team of internal auditors from group companies who are specially trained in internal audit techniques. The company was audited in 2019.

## Internal control and risk management procedures

Procedures have been developed and implemented within the Company to ensure that the principal risks are managed internally in compliance with the policies and objectives set by management.

## Determination of priority risks and processes

### *Risk management procedure*

In 2019, the Company once again conducted an overall risk analysis to determine a new risk mapping. This mission involved all Company directors, and the final mapping was submitted to the Audit Committee and the Board of Directors. Action plans were implemented to optimize the hedging of the identified risks.

This approach led to the identification of the main risk factors that might significantly affect its operations and outlook, as described in Section 1.4 of its Registration Document. It has established a formal review that surveys the risks and the procedures to be put in place to manage them.

This risk analysis is updated annually and presented to the Audit Committee.

Transgene believes that certain operational and financial risks are significant either due to the probability of their occurrence or by their impact on the Company. They are subject to the following procedures:

### *Protection of the integrity of strategic scientific, medical and computerized data; protection of strategic biological materials and equipment*

Backup of the Company's strategic data takes place primarily through archiving, duplication and separate storage procedures. The data is stored with a specialized operator offering a high level of data protection. However, the Company maintained equipment for local backups of the most critical data.

### *Protection of cash and cash equivalents*

Cash and cash equivalents are the Transgene's main financial assets. The controls in place are intended to ensure the proper use and safety of the funds invested, in particular:

- preparation of a detailed budget by section and quarterly budgetary control;
- a cash balance statement;
- determination and monitoring of the investment policy by the Audit Committee.

The Transgene's cash is currently invested in investment funds, either directly or in the Institut Mérieux group cash pool. This cash pool is placed under the supervision of a committee of Group liquidity managers (representing Transgene: the Vice-President, Finance), which meets once a month to study the cash position of the participants (both lenders and borrowers), the yields and the cash pool management decisions. The Audit Committee provides an update on the cash position at each of its meetings.

***Reliability of financial and accounting information***

To ensure the quality and reliability of the financial and accounting information it prepares, the Company uses a framework of accounting principles and standards as well as a management reporting system that analyzes accounting data along the following lines: by cost center, type of income and expense, and project.

***Insurance policy***

In order to outsource a portion of the financial expense of operational risks, the Company implements a policy of covering the main insurable risks, for itself and its subsidiaries, with coverage amounts that it believes are compatible with its cash usage requirements.

***Managing relations with strategic partners***

The Company has entered into licensing and development partnerships for the final development stages of its products, their manufacturing and their commercialization. In order to maintain the highest level of collaboration with its partners and thus ensure optimum development of the product, a dedicated project leader ensures that the program is run properly, under the supervision of a monitoring committee that meets monthly. In addition, strategic partnerships are under special governance, usually in the form of a joint steering committee that meets regularly, or on an *ad hoc* basis to make key decisions (new strategic directions, new commitments, management of differences, etc.) throughout the life of the agreement.

## Internal controls related to the preparation of accounting and financial information

The Company prepares the annual consolidated financial statements under IAS/IFRS, as well as the parent company financial statements for Transgene. The Group prepares interim consolidated financial statements under IAS/IFRS that are given a limited review by the Statutory Auditors. The consolidation process is not especially complex as the 2019 scope of consolidation included Transgene, its wholly-owned subsidiary, Transgene, Inc., whose purpose is representing Transgene before the U.S. health authorities (one employee in 2018), and Transgene BioPharmaceutical Technology (Shanghai) Co. Ltd., liquidated in 2019 (no employees in 2019).

The Registration documents filed every year with the French Autorité des marchés financiers are prepared jointly by the Finance Department and the Corporate Secretary. They are reviewed by the Group's legal counsel and auditors, under the responsibility of the Chairman and Chief Executive Officer.

The closing of the accounts is performed with the financial IT system (ERP). ERP manages procurement and supplies, warehouses, general and analytical accounting, as well as budgetary reporting. It allows for dividing up tasks by means of individual user profiles, while ensuring the integrity of the information. Computerized hierarchical approval procedures for purchases, travel authorizations and expense reports are in place.

ERP provides for the integration and traceability of restatement entries under IAS/IFRS standards, which limits the risk of error.

A list of tasks and controls to be effected by the Accounting Department for each closing ensures the appropriate rollout of closing procedures.

Quarterly reporting is prepared by the Finance Department and presented to the Executive Committee. This report is composed of the various Company and subsidiary activity financial and operational monitoring reports and notably analyzes actual and projected quantitative and qualitative accounting data.

The budgeting process is designed and coordinated during the fourth quarter by the Finance Department in close cooperation with the project managers and operating managers. A managing controller is fully dedicated to the collection and monitoring of financial information relating to projects.

The budget process is based on the validation of project priorities based on the annual portfolio review and on the project management software that ensures financial and human resources are adequate to meet project requirements and schedules. The budget is presented for validation by the Management Committee, which then submits it to the Board of Directors, after it has been reviewed by the Audit Committee. The budget is adjusted every half year and a re-estimate is presented to the Board of Directors during the third quarter.

## CROSS-REFERENCE TABLE, MANAGEMENT REPORT/UNIVERSAL REGISTRATION DOCUMENT

| Other parts of the management report incorporated in this Registration Document | | Please refer to the Registration Document |
|---|---|---|
| **Annual financial statements** | 2019 corporate financial statements | Section 4.3 |
| | 2019 consolidated financial statements | Section 4.1 |
| | List of corporate offices | Paragraph 2.1.1 |
| **Corporate officers** | Compensation | Section 2.2 |
| **Subsidiaries and investments** | | Paragraph 4.3.2 Note 27 |
| | Risk factors | Section 1.4.2 |
| | Table of authorizations for the Board to increase the capital | Paragraph 5.1.5 |
| | Shareholders structure | Section 5.2 |
| **Other information** | Corporate Social Responsibility | Chapter 3 |
| | Stock options report | Paragraph 2.2.3 |
| **Special reports** | Report on free shares awards | Paragraph 2.2.4 |

## TABLE OF TRANSGENE FINANCIAL RESULTS OVER THE LAST FIVE FISCAL YEARS

*(Articles R. 225-81, R. 225-83 and R. 225-102 of the French Commercial Code)*
*(in thousands of euros except number of shares and earnings per share)*

| Category | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **1. FINANCIAL POSITION AT YEAR-END** | | | | | |
| a) Capital stock | 88,196 | 56,432 | 62,075 | 62,276 | 83,265 |
| b) Number of shares issued | 38,545,397 | 56,431,991 | 62,075,190 | 62,275,923 | 83,265,464 |
| **2. COMPREHENSIVE OPERATING NET INCOME/(LOSS)** | | | | | |
| a) Revenue excl. VAT | 1,821 | 3,984 | 2,099 | 1,335 | 6,590 |
| b) Profit before tax, depreciation, amortization and provisions | (41,646) | (35,378) | (35,004) | (2,647) | (27,762) |
| c) Income tax | 7,943 | 6,337 | 5,430 | 5,824 | 6,633 |
| d) Profit after tax, depreciation, amortization and provisions | (45,006) | (22,056) | (30,471) | 1,043 | (22,008) |
| e) Earnings distributed | - | - | - | - | |
| **3. OPERATING INCOME REDUCED TO A SINGLE SHARE** | | | | | |
| a) Profit after tax but before amortization, depreciation and provisions | (1.08) | (0.63) | (0.56) | 0.05 | (0.25) |
| b) Profit after tax, amortization, depreciation and provisions | (1.17) | (0.39) | (0.49) | 0.02 | (0.26) |
| c) Dividend per share | - | - | - | - | |
| **4. PERSONNEL** | | | | | |
| a) Number of employees | 256 | 176 | 146 | 146 | 159 |
| b) Total payroll | 12,341 | 13,502 | 9,497 | 9,459 | 9,391 |
| c) mount paid in social benefits (social security, welfare plans, etc.) | 6,670 | 5,402 | 4,550 | 4,607 | 4,857 |

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