Third Quarter 2010 Financial Report

- **Considerable medical and business achievements during the first nine months**
- **Moderate cash burn and solid balance sheet**
- **Significant upcoming news-flow**

Parc d'Innovation, Illkirch, France, October 18, 2010 – Transgene (Euronext Paris: FR0005175080) today issues its quarterly financial report as of September 30, 2010 (third quarter and first nine months of 2010) and provides an update of its recent and anticipated news-flow.

Revenue:

The following table summarizes the third quarter and first nine months revenue for 2010 compared to the same period in 2009.

Unaudited[1]	Q3		First nine months	
In million euros	**2010**	**2009**	**2010**	**2009**
Revenue from collaborative and licensing agreements	1.6	0.4	4.6	3.6
Government financing for research expenditures	2.2	2.2	6.5	4.7
Revenue	**3.8**	**2.6**	**11.1**	**8.3**

In the period under review, revenues from collaborative and licensing agreements were principally composed of:

- Manufacturing for third-parties (includes the product TG4001/RG3484 for Roche),
- Technology access fee or milestone payments received for product development (for instance, the option license granted to Novartis), and
- Revenue from commercial use of technologies or products licensed by Transgene.

The 7.4 million euros option fee received from Novartis in March 2010 (for the development and commercialization of TG4010) is accounted as revenue, and spread evenly over the period from when the agreement was signed to the date when the clinical results are expected which will enable Novartis to decide whether to exercise its option.

As of September 30, 2010, government financing for research expenditures corresponds to the Company's estimate of the income accrued during the period in relation to (i) subsidies received and/or to be received as well as (ii) research tax credit.

…/…

[1] Not subject to approval by the Board of Directors.

Cash, Cash Equivalents, Available-for-sale Financial Assets and other Financial Assets:

Cash, cash equivalents, available-for-sale financial assets and other financial assets amounted to 193.8 million euros as of September 30, 2010, compared to 205.9 million euros as of June 30, 2010.

Excluding the June capital increase (152.0 million euros in gross proceeds), the option fee received from Novartis in March (7.4 million euros) and the August equity investment in Jennerex, Inc. (3.8 million euros), the consumption of cash[2] amounted to 22.9 million euros in the first nine months of 2010, including 8.3 million euros in the third quarter. In 2009, the consumption of cash amounted to 13.8 and 8.7 million euros respectively for the first nine months and the third quarter of the year.

« The first nine months of the year have been very busy for Transgene, having successfully completed one of the largest capital increases in our industry thus far, signed a landmark option agreement with Novartis and concluded an in-licensing deal with Jennerex, Inc. » stated Philippe Archinard, Chairman and CEO of Transgene. He added: « Our company now has the appropriate means to execute its strategy which we believe will lead it to commercialize its first product in 2015".

Recent news-flow:

- March 2010: Transgene has granted Novartis an option for an exclusive global license on TG4010, a product initially developed for Non Small Cell Lung Cancer ("NSCLC").

- May 2010: 152.0 million euros capital increase through the issuance (rights issue) of 9,498,621 new shares at 16 euros per share.

- June 2010: Mr. Philippe Archinard, CEO of the Company, is appointed also as Chairman of the Board.

- July 2010: start of HCVac, a Phase II clinical trial of TG4040 in HCV.

- September 2010: Mr. Stéphane Boissel is appointed as Executive Vice President and CFO of the Company.

- September 2010: positive Scientific Advice from the European Medicines Agency for the Phase IIb/III trial with TG4010 in NSCLC.

- September 2010: licensing agreement with Jennerex, Inc. (« Jennerex) for EU, CIS and Middle-East development and commercialization rights to JX594, Jennerex's lead product initially developed for liver hepatocarcinoma ("HCC").

- September 2010: agreement with Ventana Medical System, Inc. (« Ventana »), a world leader in the field of immunohistochemistry assays, for the development of a companion diagnostic test for TG4010.

[2] Cash, cash equivalents, available-for-sale financial assets and other financial assets.

Expected news-flow:

- Special Protocol Assessment ("SPA") from the US-FDA for the Phase IIb/III clinical trial protocol with TG4010 in NSCLC (Q4 2010).
- First patient in the Phase IIb/III clinical trial with TG4010 in NSCLC (Q1 2011).
- Interim data from the Phase I clinical trial with TG4023 in solid tumors (Q1 2011).
- First patient inthe Phase IIb/III clinical trial of JX594 in HCC (Q2 2011).
- First data from the Phase II clinical trial with TG4040 in HCV (HCVac) (Q4 2011).
- Interim data from the Phase IIb clinical trial with TG4001/RG3484 in high-grade cervical dysplasia (CIN 2/3) caused by the human papilloma virus (« HPV ») (Q4 2011).
- First data from the Phase IIb/III clinical trial with TG4010 in NSCLC (Q4 2011 or Q1 2012).

About Transgene:

Transgene is a France-based biopharmaceutical company focused on the development of therapeutic vaccines and immunotherapeutic products in oncology and infectious diseases. The Company has four compounds in Phase II clinical trials: TG4001/RG3484, TG4010, TG 4040 and JX-594, and one compound in Phase I clinical trials: TG4023.
Transgene has entered into strategic collaborative agreements for the development of two of its immunotherapy products:

- An exclusive license agreement with Roche for the development of TG4001/R3484 to treat HPV-mediated diseases.

- An option agreement for an exclusive license with Novartis for the development of TG4010 to treat various cancers

The Company has also recently concluded an in-licensing agreement with US-based Jennerex Biotherapeutics, Inc., to develop and market JX-594, an oncolytic product.

Transgene has bio-manufacturing capacities for viral-based vectors. Additional information about Transgene can be found at www.transgene.fr.

Disclaimer:

This press release contains certain forward-looking statements. Although the company believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated. In particular, the Company's ability to commercialize its first product depends on the continuing success of clinical studies, ongoing financing for further product developments and marketing launch, a positive response from the medical community regarding the product's costs and effectiveness. For a discussion of risks and uncertainties which could cause the company's actual results, financial condition, performance or achievements to differ from those contained in the forward-looking statements, please refer to the Risk Factors ("Facteurs de Risque") section of the *Document de Reference* prospectus, which is available on the AMF website (http://www.amf- france.org) or on Transgene's website (www.transgene.com). This press release and the information contained herein do not constitute an offer to sell or a solicitation of an offer to buy or subscribe to shares in Transgene in any country.

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