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**TranXenoGen, Inc.**

**Preliminary Results for the Year Ended 31 December 2000**

**March 6, 2001 -** TranXenoGen, Inc. ("TranXenoGen" or "the Company") the avian transgenic company based in Shrewsbury, Massachusetts and listed on the Alternative Investment Market of the London Stock Exchange (TXN.L), announces preliminary results for the year ended 31 December 2000.

HIGHLIGHTS

- **Loss for the year $1.97m (1999: $1.21m) (before charges related to non-cash compensation); net loss $2.46m (1999: $1.21m); loss per share $0.12 (1999: $0.06); cash and cash equivalents $16.87m (1999: $0.09m)**
- **Successful development of first non-viral derived germline chickens, transgenic for insulin**
- **Successful development of chimeric chickens transgenic for HSA and calcitonin**
- **Two partnerships established to develop monoclonal antibody products with KS Biomedix and major US antibody development company**
- **Purchase of 80,000 square foot research, development and manufacturing facility**
- ***Announced yesterday:*** **Worldwide exclusive license for ANUP, broad spectrum anti-cancer surveillance protein as TranXenoGen's first novel proprietary product**

Steve Parkinson, President and Chief Executive Officer, commented:

***"I am pleased to report that TranXenoGen has achieved significant milestones in 2000 and early 2001, including the completion of its initial public offering of 6.25 million shares of Common Stock, which raised almost $19 million. The July IPO provided the Company greater visibility in the industry and the financial resources to take our generic biological products through the early stages of development towards clinical trials. We succeeded in our key scientific goal for this year - the development of germline transgenic chickens using our non-viral transgenic technology, and later this year, as these birds mature, we will be looking for expression of insulin in their eggs.***

***"The industry has also recognised the importance of our technology, especially for the manufacture of large-volume complex proteins such as monoclonal antibodies. We have signed our first two collaborations with industry leaders in this field with several more expected this year.***

***"We have taken an important step towards developing a proprietary product portfolio with the worldwide exclusive license to a potentially important anti-cancer protein that we will develop as a TranXenoGen product. With the three arms of our business, we have a well balanced strategy that will lay the groundwork for the ultimate commercial success of the company."***

TranXenoGen, Inc. specialises in the application of second-generation avian transgenic technology for the production of complex high-volume therapeutic proteins in the albumin fraction of transgenic chickens' eggs.

**TranXenoGen, Inc.**
**Preliminary Results for the Year Ended 31 December 2000**

## Chief Executive Officer's Statement

### Overview

The year 2000 was a watershed year for the Company. We successfully completed our initial public offering on the Alternative Investment Market of the London Stock Exchange in July. This is a major accomplishment for the Company and will allow it to capitalise on the biopharmaceutical industry's growing recognition of the importance of its technology.

Since the advent of genetic engineering in the early-mid 1970s, over 2,000 protein-drug discovery and development companies have been formed, many of them engaged in the development of therapeutic proteins, including large numbers of monoclonal antibodies ("MAbs"). There are now 9 MAbs on the market, 30 more in clinical trials, and it is believed there are somewhere between 200 and 300 more MAbs in development. There are now a large number of protein drugs in clinical trials. With a significant number of these expected to attain market approval, we believe the biotechnology industry has to face the significant challenge of how to produce these large volumes of protein products. Many companies have assumed that they will turn to contract manufacturers, only to discover that the limited amount of contract manufacturing space is booked out, often as far as five years ahead. Therefore, demand for alternative manufacturing technologies that can meet the necessary time lines and eliminate high capital costs has never been greater. If, in addition, the alternative technology can meet the additional needs of the industry for scalability, low cost of goods, containment and regulatory acceptance, demand will be overwhelming.

TranXenoGen recognises that it is well positioned to capitalise on this demand. Industry experts and leading companies are now recognising the virtues of avian transgenic technology. TranXenoGen, due to the high quality of its science and technology, aggressive marketing, and precise positioning in the industry, is being recognised as a market leader in this field. With the anticipated achievement of the remaining technology milestones over the next 12 to 18 months, TranXenoGen is seeking to establish partnerships with other innovative drug discovery and development companies throughout the world.

### Financial Review

For the year 2000, TranXenoGen reported a pro forma net loss, excluding a non-cash compensation charge of $1,973,283, or $0.10 per share. This non-cash charge is due to the issuance of stock options granted to directors and employees prior to the initial public offering. TranXenoGen's total net loss for the year 2000, including the non-cash charge was $2,459,333, or $0.12 per share, compared to a net loss of $1,206,515 or $0.06 per share in 1999.

The Company's total cash and cash equivalents as of December 31, 2000 totalled $16,870,564, which includes the net proceeds of the initial public offering of $17,195,609, versus $95,698 as of December 31, 1999.

Salaries and wages increased to $737,234 for 2000 compared to $456,692 due to an increase primarily in scientific personnel to support research and development activities. Research and development expenses for 2000 were $676,245 as compared to $232,563 in 1999. Research and development activities increased to support the Company's development of its generic biological protein products and its partners monoclonal antibody products. During 2000, the Company's general and administrative expenses were $731,229, versus $392,254 in 1999. This increase is largely due to greater advertising

and marketing efforts to promote TranXenoGen's manufacturing technology to potential industry partners.

The Company had nine employees at the time of the IPO, expanded to 16 by the end of the year and will continue to recruit key employees during the year 2001. It is anticipated that headcount will be around 28 by the end of this year.

**Product Development**

The Company currently has seven products in development: four generic biologicals: insulin, Human Serum Albumin ("HSA"), calcitonin and human growth hormone ("HGH"); a research monoclonal antibody, sourced by the Company as a proof-of-principle MAb to test the avian transgenic system for efficiency in MAb expression; and two MAbs under development for partners.

To date, the Company's scientists have developed first-generation chimeric birds for three of the four generic biologicals. The Company expects to transfect birds with the gene constructs for the fourth protein, HGH, in the near future. The Company has also transfected the research antibody into eggs to launch its MAb evaluation program and strengthen its patent portfolio in this key area. Chickens have already been hatched from these transfections and screening for chimerics is now underway. In addition, significant progress has been made on the Company's partnerships: the first MAb is in the early stages of transgenic development and the KS Biomedix MAb is entering the system. .

The Company announced in a press release yesterday that it has licensed a novel anti-cancer product, human anti-neoplastic urinary protein ("ANUP") from Antitumor Research Products, Inc. This product has been shown to be effective against cancer in certain animal models and has demonstrated efficacy in in-vitro human tumour cell lines. The Company will begin development work on ANUP immediately. Initially the Company will source the protein from human donors in order to conduct further preclinical evaluation, before initiating the development of chickens expressing the protein, with the longer-term goal of commencing clinical trials.

In addition to the development of generic and novel partner's proteins, TranXenoGen will continue to evaluate opportunities to in-license a limited number of novel proteins such as ANUP for proprietary development. The Company will only acquire products where very stringent criteria are met in order to optimise the chances of success. TranXenoGen seeks to enhance shareholder value by acquiring such products that are well suited to the Company's avian transgenic technology.

**Operations**

During May 2000, TranXenoGen recruited Tom Ransohoff as Vice President of Operations with responsibility for manufacturing. Mr. Ransohoff, with a strong protein chemistry background, has initiated purification and analytical development activities within the Company. As the products progress through development and larger quantities are required, the Company will simultaneously scale-up protein purification and manufacturing capabilities.

In January 2001 in order to facilitate large-scale product development for multiple proteins, the Company purchased an 80,000 square foot shell building in Shrewsbury, MA. The Company has begun work to custom fit 30,000 square feet of space to house its laboratories, offices and product development facilities including significant animal housing. The remaining 50,000 square feet will be developed in

phases over time to accommodate the Company's expanding operations. We look forward to occupying our new headquarters during the second half of this year.

Additionally, TranXenoGen expects to purchase a parcel of land in 2002 in order to establish its first full-scale avian protein manufacturing site. Although the Company has initially targeted central Massachusetts for this first manufacturing operation, and has a number of sites under consideration, the Company has decided to extend the search to other states that may provide incentives and opportunities for large-scale manufacturing. The Company expects that the operations team will see a modest increase in staff this year with potentially significant expansion next year as pilot-scale manufacturing is initiated.

**Research**

The Company continued its research activities during the year with the principal focus on additional and improved avian transgenic technologies, sperm-mediated transgenesis technology and cloning technologies. The research team's priority is to develop ways to further improve the transfection technologies used to make transgenic chickens and to try to find a way to eliminate the chimeric stage of chicken transgenesis to directly produce germline birds, thus saving months in the development cycles. The research team continues working, albeit on a small scale, on a project designed to facilitate xenotransplantation. If results are promising, the Company will seek partners to fund further development activities.

**Business Development / Industry Partners**

The Company maintains a very active marketing and business development campaign designed to give TranXenoGen's avian transgenic technology high profile in the industry. This campaign resulted in two proof-of-principle projects at the end of last year to develop two monoclonal antibodies for corporate partners. TranXenoGen is seeking to secure more partnerships with other MAb and protein production development companies and expects to add several more products to its development pipeline as a result.

**Summary**

TranXenoGen has experienced perhaps the most significant year in its existence. The Company began the year by closing an additional round of private financing to add to the solid support it has received from its original private investors. This positioned the Company well to enable it to achieve an IPO mid-year. The Company's technology and science continued to develop well with a number of important milestones being achieved. TranXenoGen continued to build its management team by making key appointments in finance, operations and regulatory affairs. The Company firmly established the three key areas of its business:

- *Generic biologicals* - Proven products for established and growing markets, including Insulin, HSA, Calcitonin and HGH.
- *Contract/Partnerships* – Two deals established with more in negotiations: KS Biomedix Holdings plc and an unnamed US antibody development company
- *Proprietary novel products* – First proprietary product in-licensed, ANUP

**TranXenoGen, Inc.**
**Preliminary Results for the Year Ended 31 December 2000**

The Company expects to achieve modest revenues in 2001 from its partnership contracts. Revenues are typically small in the early stages of an agreement with significant potential revenues achievable in later years as the products move through clinical trials onto the market. At that point, TranXenoGen expects to commence significant manufacturing to fulfill supply agreements.

TranXenoGen's lead product is insulin with the market launch anticipated in the year 2005. The Company may decide to sign up a partner prior to market launch or even at the clinical trial stage. TranXenoGen will begin to explore such potential partnerships as soon as the product is available from eggs at commercially viable levels.

The Company owes a great debt of gratitude to its loyal investors, employees and its Board of Directors and would like to thank them all.

In summary, TranXenoGen has achieved significant milestones in 2000 and early 2001, including the completion of its initial public offering which raised almost $19 million. The July IPO provided the Company greater visibility in the industry and the financial resources to take its generic biological products through the early stages of development towards clinical trials. It succeeded in achieving its key scientific goal for the year - the development of germline transgenic chickens using its non-viral transgenic technology, and later this year, as these birds mature, it will be looking for expression of insulin in their eggs. TranXenoGen has also taken an important step towards developing a proprietary product portfolio with the worldwide exclusive license to a potentially important anti-cancer protein that will be developed as a TranXenoGen product. With the three arms of the business, TranXenoGen has a well balanced strategy that will lay the groundwork for the ultimate commercial success of the Company.

**Steve Parkinson**
**President and Chief Executive Officer**

**TranXenoGen, Inc.**
**Preliminary Results for the Year Ended 31 December 2000**

**Statements of Operations**
**(Amounts in US Dollars)**

| | Years ended December 31 | |
|---|---|---|
| | **2000 (unaudited)** | **1999** |
| **Income:** | | |
| Contract revenue | $ 37,200 | $ 14,660 |
| **Expenses:** | | |
| Salaries and wages | 737,234 | 456,692 |
| Compensation expense related to stock options issued (note 2) | 486,050 | - |
| Selling, general and administrative | 731,229 | 392,254 |
| Research & development | 676,245 | 232,563 |
| Depreciation and amortization | 208,538 | 138,239 |
| Total expenses | 2,839,296 | 1,219,748 |
| Operating loss | (2,802,096) | (1,205,088) |
| **Other Income (Expense):** | | |
| Interest income | 417,931 | 2,516 |
| Other expense, net | (4,003) | (2,479) |
| Foreign currency loss | (71,165) | - |
| | 342,763 | 37 |
| Loss before provision for income taxes | (2,459,333) | (1,205,051) |
| Provision for income taxes | - | 1,464 |
| **Net loss** | $ (2,459,333) | $ (1,206,515) |
| Basic and diluted net loss per share | $ (0.12) | $ (0.06) |
| Basic and diluted weighted average common shares outstanding | 20,106,422 | 19,339,560 |

**TranXenoGen, Inc.**
**Preliminary Results for the Year Ended 31 December 2000**

## Balance Sheets
## (Amounts in U.S. Dollars)

| | December 31 2000 (unaudited) | December 31 1999 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 16,870,564 | $ 95,698 |
| Accounts receivable | - | 10,192 |
| Prepaid expenses | 216,294 | 5,551 |
| Other current assets | 4,570 | - |
| Total current assets | 17,091,428 | 111,441 |
| Property and equipment | 271,207 | 160,650 |
| Accumulated depreciation | (70,446) | (28,437) |
| Property and equipment, net | 200,761 | 132,213 |
| **Other assets:** | | |
| Intangible assets | 131,486 | 251,709 |
| Deposits | 12,676 | 16,522 |
| Other assets | 84,480 | - |
| Total other assets | 228,642 | 268,231 |
| Total assets | $ 17,520,831 | $ 511,885 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 223,997 | $ 98,605 |
| Accrued expenses | 159,923 | 95,284 |
| Capital leases - current | 26,298 | 42,590 |
| Note payable - related party | - | 130,345 |
| Total current liabilities | 410,218 | 366,824 |
| Long-term capital leases | 749 | 28,711 |
| Commitments and contingencies | | |
| **Stockholders' Equity:** | | |
| Series A Convertible Preferred Stock, $0.01 par value per share - Authorized - none and 345,000 shares in 2000 and 1999, respectively Issued and outstanding - none and 345,000 in 2000 and 1999, respectively | - | 250,000 |
| Series B Convertible Preferred Stock, $0.01 par value per share - Authorized - none and 640,000 shares in 2000 and 1999, respectively Issued and outstanding - none and 540,000 in 2000 and 1999, respectively | - | 1,229,470 |
| Series C Convertible Preferred Stock, $0.01 par value per share - Authorized - 150,000 shares Issued and outstanding - none | - | - |
| Series D Convertible Preferred Stock, $0.01 par value per share - Authorized - none and 250,000 shares in 2000 and 1999, respectively Issued and outstanding - none | - | - |
| Common Stock, $0.001 par value per share Authorized - 50,000,000 shares. Issued and outstanding - 31,560,000 and 19,550,000 in 2000 and 1999, respectively | 39,950 | 19,550 |
| Treasury Stock, at cost - 8,390,000 and 6,982,800 in 2000 and 1999, respectively | (195,659) | (195,518) |
| Additional paid-in capital | 23,593,378 | 361,370 |
| Deferred compensation | (2,319,950) | - |
| Accumulated deficit | (4,007,855) | (1,548,522) |
| Total stockholders' equity | 17,109,864 | 116,350 |
| Total liabilities and stockholders' equity | $ 17,520,831 | $ 511,885 |

**TranXenoGen, Inc.**
**Preliminary Results for the Year Ended 31 December 2000**

## Statements of Cash Flows
## (Amounts in U.S. Dollars)

| | Year ended December 31, | | |
|---|---|---|---|
| | **2000 (unaudited)** | **1999** | **1998** |
| **Cash flows from operating activities:** | | | |
| Net loss | $ (2,459,333) | $ (1,206,515) | $ (333,860) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Deprecation and amortization expense | 208,538 | 138,239 | 42,377 |
| Compensation expense related to stock options issued (note 2) | 486,050 | - | - |
| Changes in assets and liabilities: | | | |
| Accounts receivable | 10,192 | 15,811 | 4,570 |
| Prepaid expenses | (210,743) | (863) | 903 |
| Other assets | (85,204) | (9,569) | 5,431 |
| Accounts payable | 125,392 | (41,441) | 51,951 |
| Accrued expenses | 64,639 | (19,327) | 111,094 |
| Net cash used in operating activities | (1,860,469) | (1,123,665) | (117,534) |
| **Cash flows from investing activities:** | | | |
| Purchase of intellectual property | (46,306) | - | (130,580) |
| Additions to property and equipment | (110,557) | (26,744) | - |
| Net cash used in investing activities | (156,863) | (26,744) | (130,580) |
| **Cash flows from financing activities:** | | | |
| Proceeds from issuance of common stock, net | 17,195,609 | - | 500 |
| Principal payments under capital lease obligations | (44,254) | (40,867) | - |
| Proceeds from issuance of preferred stock, net | 1,769,329 | 1,091,747 | 239,723 |
| Exercise of stock options | 2,000 | - | - |
| Repurchase of common stock | (130,486) | - | - |
| Proceeds (repayment) from notes payable | - | (50,000) | 50,000 |
| Net cash provided by financing activities | 18,792,198 | 1,000,880 | 290,223 |
| Net increase (decrease) in cash and cash equivalents | 16,774,866 | (149,529) | 42,109 |
| Cash and cash equivalents, beginning of period | 95,698 | 245,227 | 203,118 |
| Cash and cash equivalents, end of period | $ 16,870,564 | $ 95,698 | $ 245,227 |
| **Supplemental disclosure of cash flow information:** | | | |
| Cash paid for taxes | $ 991 | $ 2,653 | $ 2,432 |
| Cash paid for interest | $ 4,512 | $ 2,479 | $ - |
| **Supplemental disclosure of non-cash investing and financing transactions:** | | | |
| Fair values of shares of common stock used in connection with the acquisitions of Gestation | $ - | $ - | $ 277,420 |
| Notes issued in connection with the repurchase of common stock | $ - | $ 195,518 | $ - |
| Equipment acquired under capital lease obligations | $ - | $ 112,168 | $ - |
| Conversion of 1,410,000 shares of convertible preferred stock to 14,100,000 shares of common stock, net of issuance costs | $ 3,248,799 | $ - | $ - |

**TranXenoGen, Inc.**
**Preliminary Results for the Year Ended 31 December 2000**

**Notes to the preliminary announcement**

## 1. Basis of Presentation

The financial statements included in this preliminary announcement have been prepared in conformity with U.S. generally accepted accounting principles. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted. These financial statements should be read in conjunction with the Company's Financial Statements and related notes for the year ended December 31, 1999.

## 2. Stock Incentive Plan

Prior to the initial public offering, 5,340,000 options were granted at $0.04 per common share to directors and employees under the Company's 1998 Equity Incentive Plan, resulting in total compensation expense to be amortized over the four-year vesting period of approximately $2.8 million.

Deferred compensation with respect to these options granted at less than fair market value at the date of grant is included as a separate component of shareholders' equity and subsequently expensed over the period that the options vest. Compensation expense of $486,050 was recorded during the year ended December 31, 2000.

Statements in this press release regarding our business which are not historical facts are "forward-looking statements" that involve risks and uncertainties which could cause the Company's actual results and financial condition to differ materially from those anticipated by the forward-looking statements. Actual results may differ materially from the statements made as a result of various factors, including, but not limited to sufficiency of cash to fund the Company's planned operations, risks associated with the inherent uncertainty of product research, risks of protecting proprietary rights and competition.

ENDS