TranXenoGen, Inc.
Interim Results for the Six Months Ended 30 June 2001
Collaboration agreement with Amgen

TranXenoGen, Inc. ("TranXenoGen" or "the Company") the avian transgenic manufacturing company based in Shrewsbury, Massachusetts, listed on the Alternative Investment Market of the London Stock Exchange (TXN.L), announces its interim results for the six months ended 30 June 2001.

HIGHLIGHTS

- **Loss for the six months ended 30 June 2001 $2.51m (2000: $0.94m); loss per share $0.08 (2000: $0.08); cash and cash equivalents at 30 June 2001 $11.72m (31 December 2000: $16.87m)**
- **Continued progress in both the science and technology fields**
- **TranXenoGen's 80,000 sq. ft. research, development and manufacturing facility on schedule to be opened in November**
- **Successful breeding programme of chimeric chickens for insulin and human serum albumin**
- **Licensing of Anti-Neoplastic Urinary Protein (ANUP), an anti-cancer agent: the Company's first proprietary product under development**
- **Collaboration with Amgen, Inc., the world's largest independent biotechnology company, to develop a monoclonal antibody**
- **Total of 8 products in development**
- **Dr. Kim Tan, Chairman, will assume the role of interim Chief Executive Officer**

Kim Tan, Chairman, commented:

"TranXenoGen continued this year to build upon its successes from last year. The generic biological products under development by TranXenoGen continue to make progress, with insulin still projected to be the first of these products to enter into clinical trials. Furthermore, the collaborative partnerships continue to grow with four such agreements to develop monoclonal antibodies, an area identified by TranXenoGen early on as perhaps its most significant growth opportunity.

"These monoclonal antibody partnerships now include such significant industry leaders as Abbott Laboratories and Amgen. The strategy to in-licence exciting novel products and develop them in-house as TranXenoGen products is underway; ANUP continues to be progressed by the product development group with pre-clinical studies anticipated in the near future.

"I believe the Company's novel manufacturing technology will position it to help the industry meet its ever growing manufacturing needs. Growing numbers of industry experts and analysts are identifying avian transgenics as the preferred approach and TranXenoGen is establishing itself as a key player in this field. Clearly, the Company has a great opportunity to become a key force in the biological manufacturing arena."

7 September 2001

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Chairman's Statement

In the first six months of 2001, TranXenoGen has made good progress in developing its business activities and avian transgenic technologies. The Company has established itself as a leading transgenics company with four collaborative agreements with industry partners, made good progress on its avian transgenic technologies and acquired a building in which to site its pilot production facilities.

Business Development / Industry Partners

It is being increasingly recognized in the biopharmaceutical industry that the capacity of existing conventional manufacturing systems and projected new capacity will be unable to cope with the increasing number of biological products coming to market. Many experts are recognizing that the only reasonable solution is transgenic manufacturing and many are recognizing the clear advantage of avian transgenics, especially TranXenoGen's proprietary technologies.

TranXenoGen today announced that it signed a feasibility agreement with Amgen, the world's largest independent biotechnology company, to develop one of Amgen's proprietary monoclonal antibodies (MAbs) using its avian transgenic manufacturing system.

Product Development

The Company has continued to make steady progress in the areas of science and technology with the development of additional constructs and chimeric birds for its generic biological products and partners' MAbs. On the downstream processing side too, the Company has made good progress. A purification method has been developed in order to extract insulin from egg white and sensitive assays have been developed in order to be able to detect these proteins down to a minute level in egg white.

Including today's announced Amgen antibody, the Company currently has eight products in development with a major focus on insulin, HSA and a TranXenoGen research monoclonal antibody to test the avian transgenic system, and also four MAbs being developed for partners. In addition, the Company has licensed a novel anti-cancer protein known as ANUP, which is being developed within TranXenoGen as its own product.

The Company has successfully generated chimeric chickens for two of its generic biological products, insulin and human serum albumin as well as two antibodies. Using these chimeric birds, the Company has successfully bred three germline chickens for insulin and we are aggressively breeding several groups of chimerics for insulin and HSA in order to generate additional germline birds.

The most important milestone still to be achieved by the product development group is to demonstrate commercial levels of expression of insulin in eggs. The Company has chimeric chickens harbouring several different insulin types and constructs in development and it is expected that certain constructs will perform better than others. The Company wishes to wait until all of these constructs have been fully evaluated before it selects the production flock founder line and announces results of the project.

Facilities

In order to facilitate large-scale product development for multiple proteins, the Company purchased an 80,000 square foot shell building in Shrewsbury, MA in January this year. Work fitting out 30,000 square feet of this space to house laboratories, offices, and product development facilities, including significant animal housing, is well advanced and we expect to occupy the new headquarters during November this year. The remaining 50,000 square feet will be developed in phases over time to accommodate the Company's expanding operations

Financial Review

For the six months ended 30 June 2001, TranXenoGen reported a net loss of $2,506,505, or $0.08 per share, compared to a net loss of $940,710, or $0.08 per share for the same period in 2000. The Company's total cash and cash equivalents as of 30 June 2001 totaled $11,716,781, compared to $16,870,564 as of 31 December 2000.

Selling, general and administrative expenses for the first half of 2001 were $781,089, compared to $386,285 in the prior year, an increase of 102%, or 37% of total operating expenses compared to 41% in the same period last year. This increase is due to an overall increase in general operating expenses. Research and development expenses for the six months were $875,629, compared to $471,486 in the first six months of 2000, an increase of 86%. Research and development activities increased to support the Company's development of its generic biological protein products and its partners monoclonal antibody products.

Chief Executive Officer

The Company also announces that it has accepted Steve Parkinson's resignation as TranXenoGen's Chief Executive Officer and as a Director of the Company with immediate effect. Steve is resigning for personal reasons and will remain available to consult with the Company. A search has been initiated to identify and recruit a new CEO. Dr. Kim Tan, Chairman, will assume the role of interim Chief Executive Officer until a replacement can be found. The Company would like to thank Steve for his considerable input in bringing TranXenoGen to the position it is today.

Summary

TranXenoGen continued this year to build upon its successes from last year. The generic biological products continue to make progress with insulin still projected to be the first of these products to enter into clinical trials. Furthermore, the collaborative partnerships continue to grow with four such agreements to develop monoclonal antibodies, an area identified by TranXenoGen at an early stage as perhaps its most significant growth opportunity.

These partnerships now include such significant industry leaders as Abbott Laboratories and Amgen and the strategy to in-license exciting novel products and develop them in-house as TranXenoGen products is underway; ANUP continues to be progressed by the product development group with pre-clinical studies anticipated in the near future.

The Company expects to achieve modest revenues in 2001 from its partnership contracts, including new contracts. As products under development reach market, TranXenoGen expects to undertake significant manufacturing to fulfill supply agreements.

In conclusion, I believe the Company's novel manufacturing technology will position it to help the industry meet its ever growing manufacturing needs. Growing numbers of industry experts and analysts are identifying avian transgenics as the preferred approach and TranXenoGen is establishing itself as a key player in this field. Clearly, the Company has a great opportunity to become a key force in the biological manufacturing arena.

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Kim Tan
Chairman

Statements of Operations
(Amounts in US Dollars)

	Six months ended June 30 2001 Unaudited $	Six months ended June 30 2000 Unaudited $	Year ended December 31 2000 Audited $
Income:			
Contract revenue	-	6,444	37,200
Expenses:			
Selling, general and administrative	781,089	386,285	960,332
Compensation expense related to stock options issued (note 2)	350,750	-	486,050
Research & development	875,629	471,486	1,184,376
Depreciation and amortization	127,663	91,914	208,538
Total expenses	2,135,131	949,685	2,839,296
Operating loss	(2,135,131)	(943,241)	(2,802,096)
Other Income (Expense):			
Interest income	273,574	3,522	417,931
Other income (expense), net	12,035	-	(4,003)
Foreign currency loss	(656,983)	-	(71,165)
	(371,374)	3,522	342,763
Loss before provision for income taxes	(2,506,505)	(939,719)	(2,459,333)
Provision for income taxes	-	991	-
Net loss	(2,506,505)	(940,710)	(2,459,333)
Basic and diluted net loss per share	(0.08)	(0.08)	(0.12)
Basic and diluted weighted average common shares outstanding	31,633,287	11,648,126	20,106,422

Balance Sheets
(Amounts in U.S. Dollars)

	Six months ended June 30, 2001	Six months ended June 30, 2000	Year ended December 31, 2000
	Unaudited	Unaudited	Audited
	$	$	$
ASSETS			
Current assets:			
Cash and cash equivalents	11,716,781	354,753	16,870,564
Accounts receivable	-	7,103	-
Prepaid expenses	53,215	8,775	216,294
Other current assets	215	-	4,570
Total current assets	11,770,211	370,631	17,091,428
Property and equipment	3,869,656	175,016	271,207
Accumulated depreciation	(103,921)	(45,855)	(70,446)
Property and equipment, net	3,765,735	129,161	200,761
Other assets:			
Intangible assets	121,617	211,716	131,486
Deposits	12,688	11,522	12,676
Other assets	-	-	84,480
Total other assets	134,305	223,238	228,642
Total assets	15,670,251	723,030	17,520,831
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	350,421	208,916	223,997
Accrued expenses	161,515	146,472	159,923
Capital leases – current	6,999	21,295	26,298
Note payable	191,698	-	-
Total current liabilities	710,633	376,683	410,218
Long-term capital leases	749	28,711	749
Commitments and contingencies			
Stockholders' Equity:			
Series A Convertible Preferred Stock, $0.01 par value per share – Authorized, issued and outstanding – none at June 30, 2001 and December 31, 2000 and 345,000 at June 30, 2000	-	250,000	-
Series B Convertible Preferred Stock, $0.01 par value per share – Authorized, issued and outstanding – none at June 30, 2001 and December 31, 2000 and 640,000 at June 30, 2000	-	1,479,200	-
Series C Convertible Preferred Stock, $0.01 par value per share – Authorized – 150,000. Issued and outstanding – none at June 30, 2001 and December 31, 2000 and 25,000 at June 30, 2000	-	74,030	-
Series D Convertible Preferred Stock, $0.01 par value per share – Authorized, issued and outstanding – none at June 30, 2001 and December 31, 2000 and 250,000 at June 30, 2000	-	995,569	-
Common Stock, $0.001 par value per share – Authorized 50,000,000. Issued and outstanding – 40,069,000, 39,950,000 and 19,550,000 at June 30, 2001, December 31, 2000 and June 30, 2000, respectively	40,069	19,550	39,950
Treasury Stock, at cost – 8,390,000	(195,659)	(195,659)	(195,659)
Additional paid-in capital	23,598,019	182,179	23,593,378
Deferred compensation	(1,969,200)	-	(2,319,950)
Accumulated deficit	(6,514,360)	(2,487,233)	(4,007,855)
Total stockholders' equity	14,958,869	317,636	17,109,864
Total liabilities and stockholders' equity	15,670,251	723,030	17,520,831

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

	Six months ended June 30, 2001	Six months ended June 30, 2000	Year ended December 31, 2000
	Unaudited	Unaudited	Audited
	$	$	$
Cash flows from operating activities:			
Net loss	(2,506,505)	(940,710)	(2,459,333)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Deprecation and amortization expense	127,663	91,914	208,538
Compensation expense related to stock options issued (note 2)	350,750	-	486,050
Changes in assets and liabilities:			
Accounts receivable	-	3,089	10,192
Prepaid expenses	163,079	(3,224)	(210,743)
Other assets and deposits	4,343	5,000	(85,204)
Accounts payable	126,424	175,484	125,392
Accrued expenses	1,592	(13,986)	64,639
Net cash used in operating activities	(1,732,654)	(682,433)	(1,860,469)
Cash flows from investing activities:			
Purchase of intellectual property	(84,319)	(32,503)	(46,306)
Additions to property and equipment	(3,513,969)	(14,366)	(110,557)
Net cash used in investing activities	(3,598,288)	(46,869)	(156,863)
Cash flows from financing activities:			
Issuance of common stock, net	-	-	17,195,609
Payment of financing costs	-	(179,191)	-
Principal payments under capital lease obligations	(19,299)	(21,295)	(44,254)
Proceeds from issuance of preferred stock, net	-	1,319,329	1,769,329
Exercise of stock options	4,760	-	2,000
Repurchase of common stock	-	(141)	(141)
Proceeds (repayment) from notes payable	191,698	(130,345)	(130,345)
Net cash provided by financing activities	177,159	988,357	18,792,198
Net increase (decrease) in cash and cash equivalents	(5,153,783)	259,055	16,774,866
Cash and cash equivalents, beginning of period	16,870,564	95,698	95,698
Cash and cash equivalents, end of period	11,716,781	354,753	16,870,564
Supplemental disclosure of cash flow information:			
Cash paid for taxes	-	991	991
Cash paid for interest	43,450	2,724	4,512
Supplemental disclosure of non-cash investing and financing transactions:			
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

Notes to the preliminary announcement

1. Basis of Presentation

The financial statements included in this preliminary announcement have been prepared in conformity with accounting principles generally accepted in the United States and, in the opinion of management reflect all adjustments of a normal recurring nature necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted but the Company believes that the disclosures are adequate to make the information presented not misleading. Certain reclassifications have been made to prior-year balances in order to conform to the current-year presentation. These financial statements should be read in conjunction with the Company’s Financial Statements and related notes for the year ended 31 December 2000.

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.

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.

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