TranXenoGen, Inc.
Final Results for the Year Ended 31 December 2001
Review of Strategic Direction

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), announced today its operating results for the twelve months ended December 31, 2001.

<u>Highlights</u>

- 2001 net loss of $4.0 million (2000: net loss $2.5 million); or loss per share of $0.13 (2000: $0.12 loss per share), reflecting an increase in business activity following the IPO in July 2000.

- Significant progress in the development of the avian technology platform, including successful generation of germline chickens for insulin and chimeric chickens for two antibodies.

- Establishing research and development agreements with Abbott Laboratories and Amgen, Inc. broadening the Company's monoclonal antibody research efforts.

- Acquiring, building out and moving into the Company's new facility that houses laboratories, offices and product development operations.

George Uveges, CEO who joined the Company in October 2001, commented:

"These results reflect the increased level of activity in the Company following the IPO in July 2000. Our 2002 focus is on improving the avian transgenic platform, and we anticipate achieving proof of principle by mid-year and commercial levels of expression of a protein in the second half of 2002. Our focus on generic biologicals, strategic partners' product development and proprietary novel products provide, in our opinion, a well-balanced strategy that provides the groundwork for TranXenoGen's future commercial success. We believe that TranXenoGen is well positioned to capitalize on the increasing market requirements for large-volume biological products with a platform that is expected to offer an effectively priced product with increased flexibility and improved time to market."

Enquiries: **6 March 2002**

TranXenoGen, Inc. Tel: 001 508 936 4214
George Uveges, President and CEO Email: GUveges@TranXenoGen.com

College Hill Associates Tel: 020 7457 2020
Michael Padley/Nicholas Nelson

Risk Warning Notice:
TranXenoGen, Inc. is a publicly traded biotechnology company specializing in avian transgenics for the production of high volume therapeutic proteins. TranXenoGen, Inc. is a development stage company and, as such, investors should be aware that an investment in the Company involves a substantially high degree of risk.

This press release contains forward-looking statements that can be identified by terminology such us as "expects", "potential", "suggests", "may", "will", or similar expressions. Such forward-looking statements regarding our business, which are not historical facts, are "forward-looking statements" that involve risk 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 statements made as a result of various factors, including, but not limited to sufficiency of cash to fund the Company's planned operations, risk associated with inherent uncertainty of product research and development, risk of protecting proprietary rights and competition. Forward-looking statements speak only as to the date they are made. The Company does not undertake to update forward-looking statements to reflect the circumstances or events that occur after the date the forward-looking statements are made.

President and Chief Executive Officer's Statement

Overview

2001 was a year of development and transition for TranXenoGen, Inc. It was a year in which the Company:

- Made significant progress in developing the avian technology platform including successful generation of germline chickens for insulin and chimeric chickens for two antibodies;
- Signed research and development deals with strategic partners Abbott Laboratories and Amgen, Inc. broadening the Company's monoclonal antibody research efforts; and
- Acquired, built out and moved into its new facility that houses laboratories, offices and product development operations in 30,000 square feet of an 80,000 square foot building. The remaining space will be built out as additional research, production and purification capacity is required.

Our accomplishments during the year created the foundation upon which we will build our proprietary avian transgenic technology.

Management Changes

During 2001, Steve Parkinson and Karl Ebert left TranXenoGen to pursue their individual interests and I joined the Company as President and Chief Executive Officer in October. We strengthened our scientific team during 2001 through the addition of two research scientists who bring with them significant skills in the area of protein expression and molecular biology.

Financial Review

TranXenoGen finished 2001 with a cash position of $10.3 million, which represents sufficient cash at the current cash burn rate to support our efforts through late 2003. For the year, TranXenoGen reported a net loss of $4.0 million, or $0.13 per share, compared to a loss of $2.5 million, or $0.12 per share, for 2000. On a cash basis (net loss less (i) non-cash charge related to the issuance of stock options granted to directors and employees prior to the Initial Public Offering in 2000, (ii) depreciation and (iii) amortization) the net cash loss was $3.1 million, or $0.10 per share, in 2001 as compared to $1.8 million, or $0.09 per share, in 2000.

Following the Company's IPO on the Alternative Investment Market of the London Stock Exchange in July 2000, the Company increased its spending levels in research and development and its selling, general and administrative expenses. Research and development spending increased by $643,000, or 54%, from 2000 to 2001 reflecting an increased level of activity to support the development of the Company's generic biologicals and its four collaborative monoclonal antibody projects. Selling, general and administrative expense increased by $537,000, or 56%, from 2000 to 2001 due to higher legal and consulting fees, an increase in advertising and marketing efforts to promote TranXenoGen's manufacturing technology, the costs of being a public company and additional facilities costs.

Research and development spending levels are expected to continue to increase in 2002 as we develop our avian transgenic platform and products. Selling, general and administrative expense is expected to increase only slightly as the 2002 focus is on proving the science and developing our proprietary and partners' product offerings.

The Company invested $7.6 million to acquire and build out its new facility, of which $3.5 million was funded through a credit facility of $3.9 million. Current liabilities include $647,000 remaining to be paid on the facility, of which $408,000 will be funded through additional borrowings under the credit facility. The Company anticipates capital expenditures of approximately $700,000 in 2002 as it completes the first expansion in the new facility and adds equipment to support its product development effort.

The Company had 17 employees as of December 31, 2001 and anticipates adding eight employees over the next year.

Science Update

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

The proof of principle for the avian transgenic platform utilizing insulin, originally forecasted in 2001, is now anticipated in mid-2002 as the combination of technical issues, a delay in bringing the new facility on line and the broadening of the Company's research efforts to include four antibody products resulted in an extension of the timeline. In 2001, the Company successfully demonstrated that the insulin gene was transmitted from chimeric chickens to the second generation, or germline transgenic, chickens. The Company continues to develop its antibody projects with the generation of chimeric chickens utilizing the direct egg transfection method. Chimeric chickens contain the transgene in only some cells and are bred to see if the transgene is transmitted to the next generation.

The Company's 2002 focus is to:

- Demonstrate proof of principle by mid-year;
- Achieve commercial expression levels for at least one potential product;
- Develop transgenic founder hens for three of the four partners' antibodies, insulin and HSA; and
- Develop chimeric chickens for one of our partners' antibodies.

The Company continued its research activities during 2001 with the principal focus on improved avian transgenic technologies such as cloning and avian stem cell research. The research team's priority was, and continues to be, to develop ways to further improve the efficiency of the transfection technologies used to make transgenic chickens, construct improved or novel expression cassettes and marker genes and broaden the application of existing technologies.

In addition, the Company continues to develop its purification technology for purifying a range of products from egg albumin (i.e. egg white). The purification process development is focused on establishing a scalable method for primary recovery and purification of the Company's proprietary and strategic partners' products. The current purification program is aimed at developing an intellectual property position covering purification of pharmaceuticals from egg albumin and to accelerate the purification process development once proof of principle is achieved.

In February 2001, the Company 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 human tumor cell lines *in-vitro.* During 2002, TranXenoGen will continue the development of ANUP, including obtaining highly purified protein from human donors and conducting animal model studies. The Company intends to develop the product and process, potentially with a strategic partner, before initiating the development of the protein in chicken eggs.

Business Development / Industry Partners

The Company's business development focus is designed to give TranXenoGen's avian transgenic technology visibility in the industry. As a result, the Company has four proof-of-principle projects in process. Once commercially viable expression levels are achieved, TranXenoGen will seek to secure additional partnerships with other MAb and therapeutic protein companies in order to add more products to its pipeline.

Summary

As we move into 2002, our focus is on improving our avian transgenic platform and achieving key milestones in research, process and product development. The Company has three key focuses of its business:

- Generic Biologicals – Development of proven products for established and growing markets, including insulin and HSA;
- Contract/Partnerships – Delivering on its strategic alliances with Abbott Laboratories, KS Biomedix Holdings PLC, Amgen Inc. and an unnamed US antibody development company and
- Proprietary novel products – Development of first proprietary product in-licensed, ANUP.

We anticipate that if we are successful in achieving commercial expression levels of protein in the egg albumin, at least one of the four strategic alliances or generic biological products will lead to a product development and manufacturing agreement, which should result in TranXenoGen receiving revenue/funds in 2003. The three key areas provide, in our opinion, a well-balanced strategy that provides the groundwork for TranXenoGen's future commercial success. We believe that TranXenoGen is well positioned to capitalize on the increasing market requirements for large-volume biological products with a platform that we expect to offer an effectively priced product with increased flexibility and improved time to market.

George Uveges
President and Chief Executive Officer

Statements of Operations
(Amounts in US Dollars)

	Years ended December 31	
	2001	**2000**
Income:		
Contract revenue	$ 16,667	$ 37,200
Expenses:		
Selling, general and administrative	1,496,932	960,332
Research & development	1,827,074	1,184,376
Compensation expense related to stock options issued (note 2)	649,089	486,050
Depreciation and amortization	254,937	208,538
Total expenses	4,228,032	2,839,296
Operating loss	(4,211,365)	(2,802,096)
Other Income (Expense):		
Interest income, net	432,448	413,419
Other income, net	35,393	509
Foreign currency loss	(269,024)	(71,165)
Loss before provision for income taxes	(4,012,548)	(2,459,333)
Provision for income taxes	-	-
Net loss	$ (4,012,548)	$ (2,459,333)
Basic and diluted net loss per share	$ (0.13)	$ (0.12)
Basic and diluted weighted average common shares outstanding	31,681,975	20,106,422

Balance Sheets
(Amounts in U.S. Dollars)

	December 31	
	2001	**2000**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,992,726	$ 16,870,564
Restricted cash	351,536	-
Prepaid expenses	71,674	216,294
Other current assets	17,288	4,570
Total current assets	10,433,224	17,091,428
Property and equipment	8,115,107	271,207
Accumulated depreciation	(167,014)	(70,446)
Property and equipment, net	7,948,093	200,761
Other assets:		
Intangible assets	66,470	131,486
Deposits	9,013	12,676
Other assets	-	84,480
Total other assets	75,483	228,642
Total assets	$ 18,456,800	$ 17,520,831
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 650,700	$ 223,997
Accrued expenses	538,167	159,923
Current portion of long-term debt	79,549	26,298
Other current liabilities	10,833	-
Total current liabilities	1,279,249	410,218
Long-term debt, less current portion	3,412,746	749
Commitments and contingencies		
Stockholders' Equity:		
Common Stock, $0.001 par value per share Authorized - 50,000,000 shares. Issued and outstanding – 40,410,000 and 39,950,000 in 2001 and 2000, respectively	40,410	39,950
Treasury Stock, at cost - 8,390,000 in 2001 and 2000, respectively	(195,659)	(195,659)
Additional paid-in capital	23,339,318	23,593,378
Deferred compensation	(1,398,861)	(2,319,950)
Accumulated deficit	(8,020,403)	(4,007,855)
Total stockholders' equity	13,764,805	17,109,864
Total liabilities and stockholders' equity	$ 18,456,800	$ 17,520,831

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

	Years ended December 31 2001	2000	1999
Cash flows from operating activities:			
Net loss	$ (4,012,548)	$ (2,459,333)	$ (1,206,515)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Deprecation and amortization expense	254,937	208,538	138,239
Compensation expense related to stock options issued (note 2)	649,089	486,050	-
Loss on disposal of equipment	4,499	-	-
Changes in assets and liabilities:			
Accounts receivable	-	10,192	15,811
Prepaid expenses	144,620	(210,743)	(863)
Other assets and deposits	(9,056)	(85,204)	(9,569)
Accounts payable	426,703	125,392	(41,441)
Accrued expenses and other current liabilities	389,077	64,639	(19,327)
Net cash used in operating activities	(2,152,679)	(1,860,469)	(1,123,665)
Cash flows from investing activities:			
Purchase of intellectual property	(88,854)	(46,306)	-
Additions to property and equipment	(7,768,417)	(110,557)	(26,744)
Increase in restricted cash	(351,536)	-	-
Net cash used in investing activities	(8,208,807)	(156,863)	(26,744)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	-	17,195,609	-
Principal payments under capital lease obligations	(27,047)	(44,254)	(40,867)
Proceeds from issuance of preferred stock, net	-	1,769,329	1,091,747
Exercise of stock options	18,400	2,000	-
Repurchase of common stock	-	(141)	-
Proceeds from notes payable	5,522,295	-	-
Repayment of notes payable	(2,030,000)	(130,345)	(50,000)
Net cash provided by financing activities	3,483,648	18,792,198	1,000,880
Net (decrease) increase in cash and cash equivalents	(6,877,838)	16,774,866	(149,529)
Cash and cash equivalents, beginning of period	16,870,564	95,698	245,227
Cash and cash equivalents, end of period	$ 9,992,726	$ 16,870,564	$ 95,698
Supplemental disclosure of cash flow information:			
Cash paid for taxes	$ -	$ 991	$ 2,653
Cash paid for interest	$ 86,324	$ 4,512	$ 2,479
Supplemental disclosure of non-cash investing and financing transactions:			
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	$ -

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. 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 December 31, 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.

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