TranXenoGen, Inc.
Interim Results for the Six Months Ended 30 June 2003

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 today its interim operating results for the six months ended 30 June 2003.

Highlights

- Loss for six months ended 30 June 2003 was $2.1 million (2002 – loss $2.4 million); loss per share $0.07 (2002 – loss per share $0.08).
- 30 June 2003 unrestricted cash and cash equivalents of $3.8 million ($5.5 million as of 31 December 2002).
- R&D progress continues:
  - Advancement of the Human Serum Albumin ("HSA") program, including expression of 6 ng/ml of HSA in chimeric eggs, announced in May 2003, and the identification of positive germline transgenic chickens from the breeding program.
  - Signing of an evaluation agreement for the production of vaccine candidates using two proprietary avian stem cell lines, announced in June 2003.
  - Initiation of animal models studies for the anti-neoplastic urinary protein ("ANUP") program for the treatment of cancer.
  - Improvement in the production of chimeric chickens using a newly developed proprietary transgene.
- In July 2003, the Company completed the sale of a cell tower lease on the Company's Shrewsbury facility generating $197,000 in cash.
- The appointment of Insinger de Beaufort as nominated advisor and broker.

4 September 2003

ENQUIRIES:

TranXenoGen, Inc.	**Tel: 001 508 936 4214**
George Uveges, President and CEO	Email: guveges@tranxenogen.com
College Hill Associates	**Tel: +44 (0) 7457 2020**
Nicholas Nelson	

Risk Warning Notice:

TranXenoGen, Inc. (symbol TXN.L) is a publicly traded biotechnology company. Its shares are quoted on the Alternative Investment Market of the London Stock Exchange. The Company is developing avian transgenic technologies for the production of high volume therapeutic proteins. TranXenoGen 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 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

Financial Review

TranXenoGen's unrestricted cash position as of 30 June 2003 was \$3.8 million, compared to \$5.5 million as of 31 December 2002. At the Company's current cash burn rate, the cash balance of \$3.8 million of unrestricted cash is expected to support the Company's development efforts through the second quarter of 2004. The Company continues to tightly manage cash and believes that its current cash position and the proceeds from the July 2003 sale of the cell tower lease on the Shrewsbury facility property provide a sufficient timeframe to develop the business to the level where attractive financing opportunities will become more available to the Company.

The lower net loss in the first half of 2003, compared to the similar period last year, was primarily due to a reduction in the Company's animal care cost resulting from the 2002 consolidation of animal care operations into the Company's Shrewsbury facility and a reduction in stock-based compensation expense between periods.

Net interest expense increased due to a decline in interest income earned as the Company used cash to fund operations and capital expenditures and due to lower interest rates between periods on the Company's invested cash.

Capital expenditures were \$18,000 in the first half of 2003 as compared to \$472,000 for the first half of 2002. Capital expenditure levels in the first half of 2002 reflect the completion of the Shrewsbury facility and the first expansion in that facility to accommodate animal care operations.

The Company had 20 employees as of 30 June 2003 and 31 December 2002.

Science Update

Steady progress has been made on both product development and improving the Company's avian transgenic technology. Research efforts in 2003 have concentrated on three objectives: achieving commercial levels of expression in transgenic chicken eggs, the generation of transgenic founder birds for key programs and streamlining the avian transgenic process.

Product development has focused on the generation of germline transgenic chickens for generic biologicals: Human Serum Albumin and Insulin and monoclonal antibodies. The breeding process has been streamlined through the implementation of more stringent transgene testing of chimerics and semen analysis of chimeric roosters.

Several key development milestones were achieved in the Human Serum Albumin ("HSA") program during the first half of 2003. In May 2003, successful expression of HSA was announced in chimeric chicken eggs at 6 ng/ml, demonstrating that the transgene is functioning properly. In addition, the chimeric breeding program has yielded several germline transgenic chickens, which will be further characterized for stable integration of the transgene and expression of HSA in their eggs. These germline transgenic hens should begin laying eggs shortly, at which point we will commence testing for commercial levels of expression. Achieving commercial levels of expression for HSA would represent an important milestone in the development plan of this product. Achievement of this milestone would position the Company to move HSA from a research project to product development and then commercialization with a partner.

The anti-neoplastic urinary protein ("ANUP") program has made progress with the initiation of animal model studies to confirm the anti-cancer potential of this drug. The animal model studies, which evaluate the effect of the drug on the growth of implanted tumors in nude mice, are expected to be completed in the fourth quarter of 2003.

Improvements in the avian transgenic process have focused on increasing the direct-egg transfection and avian stem cell transgenic technologies efficiency. The direct-egg transfection process has been improved by pre-selecting eggs for injection and through improvements in the method of transgene delivery. In addition, experiments have been initiated to identify DNA sequences that increase the rate of gene integration. Preliminary experiments show promise with the generation of 4 out of 27 (15%) positive chimerics for the novel transgene, which is believed to be a significant improvement over prior results. Based on these results, research is now centered on reproduction of the data with alternative transgenes, the identification of the precise DNA sequence responsible and determining the effect of these factors on the rate of gene integration.

The avian primordial germ cell ("PGC") stem cell program includes three principle activities. The first activity is the development of an immortalized avian embryonic cell line for the production of transgenic chickens. The second is the improvement of culture conditions for avian stem cells, while the third is on the identification of novel stem cell growth factors or genes. To date, two distinct avian embryonic cell lines have been generated and are being characterized to evaluate their potential for producing transgenic chickens. In addition, chimerics produced from PGC stem cells are being screened and bred to assess the utility of the technology for producing transgenic chickens.

Summary

Business development efforts in the first half of 2003 included developing potential relationships for commercial deals upon the achievement of commercial expression levels and identifying alternative markets for our technology. The June 2003 evaluation agreement to access the potential of embryonic stem cells for the production of vaccines and our cloning projects are examples of alternative market opportunities for the technology.

In addition, upon successful completion of the ANUP animal model studies, the Company will seek a strategic partner to conduct additional research and clinical trials for the anti-cancer product.

Over the next six to nine months, we anticipate moving from the research and development phase to commercialization of our technology with opportunities in product development of HSA and ANUP and licensing in alternative markets.

George Uveges
President and Chief Executive Officer
4 September 2003

TranXenoGen, Inc.
Condensed Statements of Operations
(Amounts in U.S. Dollars)

	Six Months Ended 30 June 2003 Unaudited	Six Months Ended 30 June 2002 Unaudited	Year Ended 31 December 2002 Audited
Income:			
Contract revenue	$ —	$ 16,667	$ 33,333
Expenses:			
Selling, general and administrative	790,973	792,828	1,496,290
Research and development	796,790	1,043,609	1,871,691
Stock-based compensation	207,125	295,956	503,875
Depreciation and amortization	282,101	292,574	562,579
Total expenses	2,076,989	2,424,967	4,434,435
Operating loss	(2,076,989)	(2,408,300)	(4,401,102)
Other Income (Expense):			
Interest income	26,023	79,795	132,818
Interest expense	(99,837)	(109,503)	(219,296)
Other income, net	33,704	36,146	67,511
Loss before provision for income taxes	(2,117,099)	(2,401,862)	(4,420,069)
Provision for income taxes	—	—	—
Net loss	$ (2,117,099)	$ (2,401,862)	$ (4,420,069)
Net loss per share – basic and diluted	$ (0.07)	$ (0.08)	$ (0.14)
Basic and diluted weighted average common shares outstanding	32,170,000	32,020,000	32,071,329

The accompanying notes are an integral part of these condensed financial statements.

TranXenoGen, Inc.
Condensed Balance Sheets
(Amounts in U.S. Dollars)

	30 June 2003 Unaudited	30 June 2002 Unaudited	31 December 2002 Audited
ASSETS			
Current assets:			
Cash and cash equivalents	$ 3,772,024	$ 7,539,946	$ 5,526,361
Prepaid expenses and other current assets	51,945	46,107	95,529
Total current assets	3,823,969	7,586,053	5,621,890
Property and equipment	8,765,402	8,586,774	8,747,299
Accumulated depreciation	(954,500)	(411,586)	(682,179)
Property and equipment, net	7,810,902	8,175,188	8,065,120
Other assets:			
Restricted cash	362,136	357,280	360,130
Intangible and other assets	20,422	52,481	30,202
Total assets	$ 12,017,429	$ 16,171,002	$ 14,077,342
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 151,904	$ 309,551	$ 178,484
Accrued expenses and other current liabilities	172,386	338,393	235,784
Current portion of long-term debt	109,841	79,549	109,841
Total current liabilities	434,131	727,493	524,109
Long-term debt, less current portion	3,638,661	3,784,610	3,698,622
Commitments and contingencies			
Stockholders' Equity:			
Common stock	40,560	40,410	40,560
Treasury stock	(195,659)	(195,659)	(195,659)
Additional paid-in capital	22,962,668	22,956,818	22,962,668
Deferred compensation	(305,361)	(720,405)	(512,486)
Accumulated deficit	(14,557,571)	(10,422,265)	(12,440,472)
Total stockholders' equity	7,944,637	11,658,899	9,854,611
Total liabilities and stockholders' equity	$ 12,017,429	$ 16,171,002	$ 14,077,342

The accompanying notes are an integral part of these condensed financial statements.

TranXenoGen, Inc.
Condensed Statements of Cash Flows
(Amounts in U.S. Dollars)

	Six Months Ended 30 June 2003 Unaudited	Six Months Ended 30 June 2002 Unaudited	Year Ended 31 December 2002 Audited
Cash Flows from Operating Activities:			
Net loss	$ (2,117,099)	$ (2,401,862)	$ (4,420,069)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	282,101	292,574	562,579
Compensation expense related to stock options issued	207,125	295,956	503,875
Changes in assets and liabilities:			
Prepaid expenses and other current assets	43,584	17,855	(6,567)
Accounts payable	(26,580)	(341,149)	(472,216)
Accrued expenses and other current liabilities	(63,398)	(210,607)	(313,216)
Net cash used in operating activities	(1,674,267)	(2,347,233)	(4,145,614)
Cash Flows from Investing Activities:			
Additions to property and equipment	(18,103)	(471,667)	(634,325)
Increase in restricted cash	(2,006)	(5,744)	(8,594)
Net cash used in investing activities	(20,109)	(477,411)	(642,919)
Cash Flows from Financing Activities:			
Exercise of stock options	—	—	6,000
Proceeds from notes payable	—	407,705	407,705
Repayment of notes payable	(59,961)	(35,841)	(91,537)
Net cash (used in) provided by financing activities	(59,961)	371,864	322,168
Net decrease in cash and cash equivalents	(1,754,337)	(2,452,780)	(4,466,365)
Cash and cash equivalents, beginning of period	5,526,361	9,992,726	9,992,726
Cash and cash equivalents, end of period	$ 3,772,024	$ 7,539,946	$ 5,526,361
Supplemental disclosure of cash flow information:			
Cash paid for taxes	$ —	$ —	$ —
Cash paid for interest	$ 100,657	$ 109,503	$ 219,602

The accompanying notes are an integral part of these condensed financial statements.

TranXenoGen, Inc.
Notes to the Unaudited Condensed Financial Statements

1. Basis of Presentation

The financial statements included in this announcement have been prepared in conformity with accounting principles generally accepted in the United States and should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended 31 December 2002. In the opinion of management, the accompanying unaudited financial statements, which are prepared on a going concern basis, include all adjustments that are necessary for a fair presentation. The results of operations for the six months ended 30 June 2003 are not necessarily indicative of results to be expected for the full fiscal year.

Certain reclassifications have been made to prior-year balances in order to conform to the current-year presentation.

2. Net Loss per Share

Net loss per share is computed in accordance with SFAS No. 128, *Earnings per Share*. SFAS No. 128 requires companies to report both basic loss per share, which is based on the weighted-average number of common shares outstanding, and diluted loss per share, which is based on the weighted-average number of common shares outstanding and the weighted-average of dilutive potential common shares outstanding during the period. As a result of the losses incurred by the Company for the six-months ended 30 June 2003 and 2002 and 31 December 2002, all potential common shares from stock options, which were 4,333,150, 4,509,600 and 4,337,600 at 30 June 2003 and 2002 and at 31 December 2002, respectively, were antidilutive and were excluded from the diluted net loss per share calculations.

3. Stock Incentive Plan

During the year ended 31 December 2000, the Company recorded noncash, deferred compensation of $2,806,000. This amount represents the aggregate difference between the deemed fair value of the Company's common stock and the exercise price of the stock options granted to Directors and employees prior to the Company's initial public offering. The deferred compensation is being recognized as an expense over the vesting period of the options, typically four years. The Company recorded non-cash compensation expense of $207,125 and $295,956 for the six months ended 30 June 2003 and 2002, respectively, and $503,875 for the year ended December 31, 2002. Unamortized deferred compensation is reclassified to additional paid-in capital in the event employment of the respective employee or director is terminated. Deferred compensation of $0 and $382,500 was reclassified to additional paid-in capital related to employee terminations for the six months ended 30 June 2003 and 2002, respectively.

4. Long-Term Debt

On June 6, 2001, the Company entered into a construction mortgage loan agreement, the $3.9 million proceeds from which were used to finance the build out of its Shrewsbury, MA facility. The mortgage loan bears interest at 1% above the prime rate (as published in the Wall Street Journal: 4% at 30 June 2003), requires equal monthly payments based on a 20-year amortization schedule and is due in full on 31 January 2007. The loan converted to a mortgage loan in the first quarter of 2002 and monthly payments of principal and interest began in March 2002. At 30 June 2003, $3,748,502 is outstanding.

The loan is secured by the Company's Shrewsbury, Massachusetts facility. The Company is also required to keep on deposit with the lender an amount equal to one year of estimated debt service until such time as it achieves the Annual Debt Service Coverage Ratio. The Annual Debt Service Coverage Ratio was not achieved for the year ended 31 December 2002. Accordingly, the deposit of $362,136 is reflected as noncurrent restricted cash on the balance sheet as of 30 June 2003.

5. Dividends

TranXenoGen is a development stage company and is investing its funds to advance its product development and improve the Company's avian transgenic technology. As a result, the Directors do not recommend payment of a dividend for the six-months ended 30 June 2003.

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Additional Copies:

Copies of this interim report as of and for the six-months ended 30 June 2003 can be obtained directly from the Company at 800 Boston Turnpike, Shrewsbury, Massachusetts, USA 01545 or from the Company's website at www.tranxenogen.com.