TranXenoGen, Inc.

Interim Results for the Six Months Ended 30 June 2002

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 2002.

- Loss for six months ended 30 June 2002 was \$2.4 million (2001 – loss \$2.5 million); loss per share \$0.08 (2001 – loss per share \$0.08).

- 30 June 2002 cash and cash equivalents of \$7.5 million (\$10.0 million at 31 December 2001).

- Consolidation of operations into a single site with the completion of a 7,500 sq. ft expansion in its Shrewsbury facility.

- R&D progress continues:

  - Successful expression of two distinct monoclonal antibodies in the egg white, or albumen, of chimeric chicken eggs. The monoclonal antibodies expressed were the Company's CD4 research antibody and a third party's human antibody.

  - Advancement of the Company's stem cell technologies as demonstrated by an improved rate of gene integration and the initiation of a breeding program to produce the germline transgenic chickens for the CD4 research antibody.

George Uveges, President and Chief Executive Officer, commented:

"The achievement of the proof-of-principle (announced in May 2002) through successful expression of two distinct antibodies in the egg white is an important first step in demonstrating the capability of our platform technology.

We continue to focus on generic biologicals, strategic partners' product development and proprietary novel products, which provides, in our opinion, a well-balanced strategy 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: **5 September 2002**

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

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

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 specializes in avian transgenics 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 cash position as of 30 June 2002 was $7.5 million of unrestricted cash and cash equivalents and $357,000 of restricted cash. At the Company's current cash burn rate, the $7.5 million of cash is expected to support the Company's development efforts through late 2003. During the next 12 months, the Company will consider various alternatives (including strategic alliances and financing options) to fund its operations in 2004 and beyond.

The $2.4 million net loss for the first six months of 2002 was $105,000 lower than the same period last year. The $105,000 improvement is primarily the net result of a $651,000 decrease in foreign currency loss, partially offset by a $290,000 increase in operating expenses and a $303,000 increase in net interest cost.

The $290,000 increase in operating expenses reflects the increased level of activity to support the development of the Company's generic biological and collaborative monoclonal antibody projects and higher depreciation expense ($211,000) resulting from moving into the Shrewsbury facility, partially offset by lower non-cash compensation charge for stock options ($55,000 reduction). Sales, marketing and general expenses were approximately equal between the periods as higher legal and patent costs ($100,000) were offset by a $120,000 reduction in marketing cost.

Net interest cost increased as cash was used for capital expenditures, including the completion of the Shrewsbury facility, and to fund operations. The Company's exposure to foreign currency gains and losses was reduced in April 2002 when the Company converted British Sterling denominated cash remaining from its IPO into U.S. dollars.

Capital expenditures were $472,000 in the first half of 2002 as compared to $3.6 million for the first half of 2001. Capital expenditures in the first half of 2002 reflect the completion of the Shrewsbury facility and the first expansion in that facility while the first half of 2001 reflected the acquisition of the facility and the start of the construction work to convert the space into laboratory and office facilities.

The Company had 22 employees as of 30 June 2002 as compared to 17 employees as of 31 December 2001.

Science Updates

The Company is currently focusing on three key areas: the generation of transgenic founder hens for the production of insulin and human serum albumin ("HSA"); the production of monoclonal antibodies using its avian platform; and the continued development of its platform technologies in an effort to streamline the transgenic process.

Using our proprietary direct-egg transfection technology, for which a U.S. patent application has been filed, the Company has produced chimeric chickens for insulin, HSA and two antibodies. Currently, chimeric chickens are being bred to generate transgenic founder chickens for insulin, HSA and a research antibody. The Company's objective is to produce between six to ten founders for each product in order to identify founders that have a high level of expression of the product in their eggs.

In May 2002, the Company announced that it had demonstrated the ability of its avian system to express intact monoclonal antibodies in the egg white from a chimeric chicken. Using an enzyme-linked immunoassay, the antibody expression levels in the chimeric eggs were determined to be up to 1.5 ng/ml. A third party independently confirmed the expression of its human monoclonal antibody. In addition, the Company screened the CD4 research antibody samples using an immunofluorescent assay with CD4 expressing cells in order to assess antibody function. Positive fluorescent staining was observed only on cells expressing CD4 and not in control cells, indicating the antibody bound to its target, CD4. Binding is indicative that the monoclonal antibody is correctly assembled, which is a key consideration in producing commercially viable proteins.

Monoclonal antibodies represent an important potential new class of drug candidates, the production of which can be difficult and expensive in large quantities. Monoclonal antibodies are complex proteins compromising two light and two heavy chains, which are encoded by two distinctive genes. In expressing monoclonal antibodies, the Company has affirmatively answered an important question: can a protein be expressed in egg white using its direct-egg transfection technology?

In research and development, the Company has three inter-related programs to develop a more efficient method for the production of transgenic animals which have generated some encouraging results. The three research programs focus on avian stem cells, cloning and gene testes transfection. In the avian stem cell program, the Company has now demonstrated the ability to culture avian stem cells in vitro, target a transgene to these cells and introduce the cells back into an egg to produce a chimeric chicken. Recent experiments are aimed at increasing the frequency of transgene integration and demonstrating the ability of the technology to produce a germline transgenic chicken through a breeding program. The objective of the cloning project is to develop a more efficient process for the production of cloned animals and to adapt the process to the avian system. The recent production of two cloned mice was an important step in validating the system. In addition, the consolidation of operations in the new research facility will accelerate the R&D progress.

The Company's focus for the second half of 2002 includes:

- Achieving commercial levels of expression for at least one potential product;
- Generation of transgenic founders for its key programs; and
- Continuing the development of multiple technologies to improve the production efficiency of transgenic chickens.

Summary

The Company’s focus is on improving its avian transgenic platform and achieving key milestones in research, process and product development. The Company has three focuses of its business:

- Generic Biologicals - development of proven products for established and growing markets, including insulin and HSA;
- Contract/Partnership - delivering on its strategic alliances with Abbott Laboratories, KS Biomedix Holdings Plc., and Amgen, Inc.; and
- Proprietary novel products - development of the Company’s first in-licensed proprietary products, human anti-neoplastic urinary protein (“ANUP”).

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
5 September 2002

TranXenoGen, Inc.
Statements of Operations
(Amounts in US Dollars)

	Six months ended 30 June 2002 Unaudited	Six months ended 30 June 2001 Unaudited	Year ended 31 December 2001 Audited
Income:			
Contract revenue	$ 16,667	$ -	$ 16,667
Expenses:			
Selling, general and administrative	825,484	830,873	1,496,932
Research & development	1,010,953	825,845	1,827,074
Compensation expense related to stock options issued (note 2)	295,956	350,750	649,089
Depreciation and amortization	292,574	127,663	254,937
Total expenses	2,424,967	2,135,131	4,228,032
Operating loss	(2,408,300)	(2,135,131)	(4,211,365)
Other Income (Expense):			
Interest income (expense), net	(29,708)	273,574	432,448
Other income, net	42,056	12,035	35,393
Foreign currency loss	(5,910)	(656,983)	(269,024)
Loss before provision for income taxes	(2,401,862)	(2,506,505)	(4,012,548)
Provision for income taxes	-	-	-
Net loss	$(2,401,862)	$(2,506,505)	$(4,012,548)
Basic and diluted net loss per share	$ (0.08)	$ (0.08)	$ (0.13)
Basic and diluted weighted average common shares outstanding	32,020,000	31,633,287	31,681,975

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

	30 June 2002 Unaudited	30 June 2001 Unaudited	31 December 2001 Audited
ASSETS			
Current assets:			
Cash and cash equivalents	$ 7,539,946	$ 11,716,781	$ 9,992,726
Restricted cash	357,280	-	351,536
Prepaid expenses	32,899	53,215	71,674
Other current assets	13,208	215	17,288
Total current assets	7,943,333	11,770,211	10,433,224
Property and equipment	8,586,774	3,869,656	8,115,107
Accumulated depreciation	(411,586)	(103,921)	(167,014)
Property and equipment, net	8,175,188	3,765,735	7,948,093
Other assets:			
Intangible assets	43,468	121,617	66,470
Deposits	9,013	12,688	9,013
Total other assets	52,481	134,305	75,483
Total assets	$ 16,171,002	$ 15,670,251	$ 18,456,800
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 309,551	$ 350,421	$ 650,700
Accrued expenses	335,893	161,515	538,167
Current portion of long-term debt	79,549	86,548	79,549
Other current liabilities	2,500	-	10,833
Total current liabilities	727,493	598,484	1,279,249
Long-term debt, less current portion (Note 3)	3,784,610	112,898	3,412,746
Commitments and contingencies			
Stockholders' Equity:			
Common Stock, $0.001 par value per share – Authorized 50,000,000. Issued and outstanding –40,410,000 at June 30, 2002 and December 31, 2001 and 40,069,000 at June 30, 2001	40,410	40,069	40,410
Treasury Stock, at cost – 8,390,000	(195,659)	(195,659)	(195,659)
Additional paid-in capital	22,956,818	23,598,019	23,339,318
Deferred compensation	(720,405)	(1,969,200)	(1,398,861)
Accumulated deficit	(10,422,265)	(6,514,360)	(8,020,403)
Total stockholders' equity	11,658,899	14,958,869	13,764,805
Total liabilities and stockholders' equity	$ 16,171,002	$ 15,670,251	$ 18,456,800

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

	Six months ended 30 June		Year ended 31 December
	2002	2001	2001
	Unaudited	Unaudited	Audited
Cash flows from operating activities:			
Net loss	$ (2,401,862)	$ (2,506,505)	$ (4,012,548)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	292,574	127,663	254,937
Compensation expense related to stock options issued (note 2)	295,956	350,750	649,089
Loss on disposal of fixed assets	-	-	4,499
Changes in assets and liabilities:			
Prepaid expenses	38,775	163,079	144,620
Other current assets and deposits	4,080	4,343	(9,056)
Accounts payable	(341,149)	126,424	426,703
Accrued expenses and other current liabilities	(210,607)	1,592	389,077
Net cash used in operating activities	(2,322,233)	(1,732,654)	(2,152,679)
Cash flows from investing activities:			
Purchase of intellectual property	(25,000)	(84,319)	(88,854)
Additions to property and equipment	(471,667)	(3,513,969)	(7,768,417)
Increase in restricted cash	(5,744)	-	(351,536)
Net cash used in investing activities	(502,411)	(3,598,288)	(8,208,807)
Cash flows from financing activities:			
Principal payments under capital lease obligations	-	(19,299)	(27,047)
Exercise of stock options	-	4,760	18,400
Proceeds from notes payable	407,705	2,221,698	5,522,295
Repayment of notes payable	(35,841)	(2,030,000)	(2,030,000)
Net cash provided by financing activities	371,864	177,159	3,483,648
Net decrease in cash and cash equivalents	(2,452,780)	(5,153,783)	(6,877,838)
Cash and cash equivalents, beginning of period	9,992,726	16,870,564	16,870,564
Cash and cash equivalents, end of period	$ 7,539,946	$11,716,781	$ 9,992,726
Supplemental disclosure of cash flow information:			
Cash paid for taxes	$ -	$ -	$ -
Cash paid for interest	$ 109,503	$ 43,450	$ 86,324

TranXenoGen, Inc.
Notes to the unaudited 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 2001. In the opinion of management, the accompanying unaudited financial statements include all adjustments that are necessary for a fair presentation. The results of operations for the six months ended 30 June 2002 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. Stock Incentive Plan

Prior to the Company's initial public offering in 2000, options were granted for 5,340,000 common shares at $0.04 per common share to directors and employees under the Company's 1998 Equity Incentive Plan. The amortization of deferred compensation is charged to operations over the vesting period of the options, typically four years. Total non-cash compensation expense was $295,956 and $350,750 for the six months ended 30 June 2002 and 2001, respectively. Unamortized deferred compensation is charged to additional paid-in capital in the event employment of the respective employee or director is terminated. Deferred compensation of $382,500 and $0 was charged to additional paid-in capital for the six months ended 30 June 2002 and 2001, respectively.

3. 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 new facility. The loan bears interest at 1% above the prime rate (as published in the Wall Street Journal: 4.75% at 30 June 2002) 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.

The loan is secured by the real estate, building, improvements, and personal property located on the Company's Shrewsbury facility. The Company is also required until 6 June 2003, to keep on deposit with the lender an amount equal to one year of estimated debt service. Accordingly, the deposit of $357,280 is reflected as restricted cash on the balance sheet.

The loan agreement includes an annual Debt Service Coverage Ratio, which, if not achieved, provides the lender the right to require additional collateral to secure the debt.

The Debt Service Coverage Ratio was not achieved for the year ended 31 December 2001, and the lender did not exercise its rights for additional collateral.

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