

Deltagen Reports Full-Year 2006 Consolidated Financial Results and Declares a 5-Cent Per Share Dividend

SAN MATEO, California, May 10, 2007 - Deltagen, Inc. (Pink Sheets: DGEN), a leading provider of drug discovery tools to the biopharmaceutical industry, today reported audited financial results for the year ended December 31, 2006 and declared a 5-cent per share dividend scheduled to be distributed on or about May 31, 2007 to shareholders of record as of the close of business on May 21, 2007.

Revenues: The Company's consolidated revenues for the year ended December 31, 2006 totaled \$9.780 million. The revenues were attributable primarily to: (i) license fees associated with the provision of knockout mice and related phenotypic data under the Company's DeltaOne™ program; (ii) fees associated with the acceptance by the NIH of materials relating to the initial delivery order placed by the NIH in September 2005; and (iii) milestone buyout payments from two of the Company's DeltaBase subscribers, which were received during the fourth quarter of 2006.

Interest Income: The Company had interest income of \$0.255 million for the year ended December 31, 2006.

Expenses: Total consolidated expenses for the year ended December 31, 2006 were \$5.825 million, of which \$0.369 million were attributable to non-cash stock-based compensation expenses relating to stock options granted by the Company on March 30, 2006 in accordance with Statement of Financial Standards (SFAS 123R). The operating expenses were attributable primarily to third-party royalty and commission expenses (\$2.02 million), as well as labor costs and other general and administrative expenses. Legal and administrative expenses associated with the prosecution of patent applications relating to the Company's DeltaBase knockout mouse lines decreased to \$0.687 million in 2006 from \$1.138 million in 2005, due to the cessation of prosecution efforts on substantially all of the Company's DeltaBase-related patent applications during the fourth quarter of 2006. DeltaBase-related patent prosecution expenses were \$0.030 million in the fourth quarter of 2006.

Net Income: Net income before provision for income taxes for the year ended December 31, 2006 was \$4.210 million. Net income for the year ended December 31, 2006 was \$4.368 million.

Cash, Cash Equivalents and Accounts Receivable: As of December 31, 2006, the Company had \$6.135 million in consolidated cash and cash equivalents and \$1.660 million in accounts receivable, following distribution of a dividend of \$0.20 per share on December 28, 2006. The dividend reduced cash holdings of the Company by approximately \$7.7 million.

Director and Executive Officer Compensation: A detailed presentation of the total compensation, including base salaries, bonuses and equity awards, of the Company's directors and executive officers for 2006 is provided in Management's Discussion and Analysis of Financial Conditions and Results of Operations for such period, which will be posted on Deltagen's website (www.deltagen.com).

Subsequent Events:

Xenopharm Earnout Shares: In an Agreement and Plan of Merger and Reorganization dated February 15, 2002 by among the Company, XP Acquisition Corporation and Xenopharm, Inc. (the "Merger Agreement"), entered into in connection with the Company's acquisition of Xenopharm, Inc. ("Xenopharm"), the Company agreed to issue shares of the Company's common stock to the former Xenopharm shareholders (the "XP Holders") upon the occurrence of certain events. On March 14, 2004, pursuant to and in satisfaction of a certain condition of the Merger Agreement, the XP Holders had rights to receive an aggregate of 131,572 shares of the Company's common stock (the "XP Earnout Shares"). These XP Earnout Shares were not issued to the XP Holders at such time, notwithstanding the requirement to do so. In addition to receipt of the XP Earnout Shares, the XP Holders were entitled to receive the cash dividend of \$0.20 per share distributed by the Company on December 28, 2006 with respect to the XP Earnout Shares. In February 2007, the Board approved the issuance and delivery of the XP Earnout Shares to the XP Holders in accordance with the provisions of the Merger Agreement, and upon such issuance, payment of a cash dividend of \$0.20 per share to the XP Holders with respect to the XP Earnout Shares. In March 2007, the Company authorized its transfer agent to issue and deliver the XP Earnout Shares and to pay the related dividends, which totaled approximately \$26,000.

Xenopharm Patents Issued: Xenopharm, a wholly-owned subsidiary of the Company, is an exclusive licensee under certain technologies relating to the metabolism of foreign compounds, known as xenobiotics, invented by Professor David Moore et al. and assigned to the Baylor College of Medicine. Two United States patents, U.S. Patent No. 7,186,879 and U.S. Patent No. 7,193,125, directed to modulation of xenobiotic metabolism, issued in March 2007. The patents' claims cover transgenic mice having reduced constitutive androstane receptor (CAR) activity, including CAR knockout mice, as well as "humanized" mice expressing a human CAR receptor. These mice are useful in screening methods to identify compounds that modulate, activate or inhibit CAR activity, compounds likely to have CAR-mediated toxicity, and analogs of these compounds with less potential toxicity. In particular, the humanized mice are useful as predictors of drug toxicity and metabolism, including drug-drug interactions, in the human body.

Dividend Declaration: The Company will distribute on or about May 31, 2007 a dividend of \$0.05 per share. The Company's shareholders of record as of the close of business on May 21, 2007 will receive this dividend. This dividend will reduce cash holdings of the Company by approximately \$1.94 million.

Marketing in Asia: On March 5, 2007, the Company entered into a marketing agreement with TransGenic Inc. of Japan ("TransGenic") under which TransGenic became the Company's exclusive sales and marketing representative in Japan, China and South Korea for the Company's knockout mouse lines and related phenotypic data. The Company had previously been represented in Asia by Mitsubishi Corporation. TransGenic (www.transgenic.co.jp) offers custom knockout mouse production and phenotyping services and custom antibody production services, as well as sales and marketing services through a network of research centers and general trading companies in Asia. TransGenic, established in April 1998 and headquartered in

Kumamoto, Japan, is listed on the Tokyo Stock Exchange (Mothers) and has three research centers and three offices in Japan.

The audited consolidated financial statements for 2006, accompanying notes, Independent Auditor's Report, and Management's Discussion and Analysis of Financial Conditions and Results of Operations for such period will be posted on Deltagen's website (www.deltagen.com).

About Deltagen

Deltagen, Inc. is a leading provider of drug discovery tools to the biopharmaceutical industry. Deltagen offers access to its extensive inventory of knockout mouse lines and related phenotypic data, which enhance the efficiency of target validation and drug discovery. In addition, Deltagen offers target validation data in the areas of immunology and metabolic diseases. Deltagen's products and programs have been validated by customers and partners such as Eli Lilly & Co., GlaxoSmithKline, Merck & Co., Inc. and Pfizer Inc. For more information on Deltagen, visit the Company's website at www.deltagen.com.

Safe Harbor Statement

This press release contains "forward-looking statements," including statements about Deltagen's future revenues and operating results, any possible future dividend declarations, third-party royalty obligations and third-party licenses and intellectual property, as well as other matters that are not historical facts or information. These forward-looking statements are based on management's current assumptions and expectations and involve risks, uncertainties and other important factors, specifically including those relating to Deltagen's ability to achieve its operational objectives and revenue projections, that may cause Deltagen's actual results to be materially different from any future results expressed or implied by such forward-looking statements. There are no assurances that the Company will declare any future dividends. Information identifying such important risk factors is contained in "Management's Discussion and Analysis of Financial Conditions and Results of Operations", which can be found at Deltagen's website at www.deltagen.com. Deltagen undertakes no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

Contact:

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DELTAGEN, INC.
CONSOLIDATED BALANCE SHEET
(AUDITED)

Consolidated Balance Sheet
For Year Ended 12/31/06

(Dollars In Thousands)

Audited
12/31/06
Consolidated

Assets

Current assets:

Cash and cash equivalents	6,135
Accounts receivable, net	1,660
Prepays, Deposits and Tax Assets	<u>790</u>
Total current assets	8,585

Property and equipment, net 82

Non-current portion of deferred tax assets 1,000

Total assets 9,667

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	508
Accrued expenses	<u>332</u>
Total liabilities	840

Stockholders' equity:

Common stock	39
Treasury Stock	(867)
Additional paid-in capital	209,504
Additional paid-in capital – Stock-based compensation	21,794
Retained Earnings	(221,938)
Foreign currency translation adjustment	<u>295</u>
Total stockholders' equity	8,827

Total liabilities and stockholders' equity 9,667

DELTAGEN, INC.

CONSOLIDATED INCOME STATEMENT
(AUDITED)

**Consolidated Income Statement and
Statement of Retained Earnings
For Year Ended 12/31/06**

(Dollars In Thousands)	Audited 12/31/06 <u>Consolidated</u>
Revenue	9,780
Royalty and Commission Costs	2,022
Stock-Based Compensation Expense	369
Other Operating Costs	<u>3,434</u>
Income From Operations	3,955
Interest Income	<u>255</u>
Income before provision for income taxes	4,210
Provision for income taxes	
Current income tax expense	95
Deferred income tax expense	(12,665)
Adjustment for valuation allowance	<u>12,412</u>
Total income tax expense/(income)	<u>(158)</u>
Net Income (Loss)	4,368
Retained earnings at beginning of period	<u>(226,306)</u>
Retained earnings at end of period	<u><u>(221,938)</u></u>

DELTAGEN, INC.

**CONSOLIDATED CASH FLOW
(AUDITED)**

**Consolidated Cash Flow
For Year Ended 12/31/06**

Audited
12/31/06
Consolidated

(Dollars In Thousands)

Cash flows from operating activities:

Net income	\$	4,368
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Adjustments to reconcile net income to net cash provided
by operating activities:

Depreciation	47
Loss on disposal of fixed assets	80
Stock based compensation	369

(Increase)/Decrease in operating assets

Accounts receivable	827
Prepays, deposits and tax assets	713

Increase/(Decrease) in operating liabilities

Accounts payable	(3,788)
Accrued expenses	(544)
Net cash provided by operating activities	2,072

Cash flows from investing activities:

Purchase of property and equipment	(70)
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Cash flows from financing activities:

Common stock dividends paid	(7,719)
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Net Increase/(Decrease) in cash	(5,717)
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Effect of foreign exchange rate changes on cash and cash equivalents	295
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Cash and cash equivalents, at beginning of year	11,557
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Cash and cash equivalents, at end of year	\$ 6,135
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Supplemental cash flow data:

Cash paid during the year for:

Income taxes	\$ 95
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