

Deltagen Reports 2007 Second Quarter Financial Results and Announces a Restructuring

SAN MATEO, California, August 21, 2007 - Deltagen, Inc. (Pink Sheets: DGEN), a leading provider of drug discovery tools to the biopharmaceutical industry, today reported unaudited consolidated financial results for the three months ended June 30, 2007 and announced a restructuring of the Company.

Revenues and Licensing Activity: The Company's consolidated revenues for the three months ended June 30, 2007 totaled \$0.617 million. The revenues were attributable primarily to license fees associated with the provision of knockout mice and related phenotypic data under the Company's DeltaOne™ program and with the provision of phenotypic data to The Wellcome Trust (the "Trust") in June 2007 pursuant to an order placed by the Trust on May 29, 2007 for seventeen of the Company's knockout mouse lines and related phenotypic data. Approximately \$0.213 million of the Company's second quarter revenues related to the Trust order. Other than the Trust order, the Company entered into three contracts with new customers, worth approximately \$0.080 million in the aggregate, during the second quarter of 2007. The revenues from these new contracts are expected to be recognized during the third quarter of 2007.

Interest Income: The Company had interest income of \$0.046 million for the three months ended June 30, 2007.

Expenses: Total consolidated expenses for the three months ended June 30, 2007 were \$0.849 million. The operating expenses were attributable primarily to labor costs and other general and administrative expenses.

Net Loss: Net loss before provision for income taxes for the three months ended June 30, 2007 was \$0.184 million. Net loss after provision for income taxes for the three months ended June 30, 2007 was \$0.168 million.

Cash, Cash Equivalents and Accounts Receivable: As of June 30, 2007, the Company had \$2.674 million in consolidated cash and cash equivalents and \$1.713 million in accounts receivable. This accounts receivable amount includes approximately \$1.1 million relating to tax credits expected to be received from the French government by the Company's wholly-owned subsidiary, Deltagen Europe, S.A.

Major Events:

Dividend Declaration: The Company distributed on May 31, 2007 a dividend of \$0.05 per share to the Company's shareholders of record as of the close of business on May 21, 2007. This dividend reduced cash holdings of the Company by approximately \$1.94 million.

The Wellcome Trust: The Company received on May 29, 2007 an order from The Wellcome Trust, a United Kingdom-based, independent charitable organization that funds research to improve human and animal health, for seventeen of the Company's knockout mouse lines and related phenotypic data. This order was the first to be received by the Company from the Trust and is worth \$0.850 million. The Company

expects to receive the license fees associated with this first order in installment payments between the third quarter of 2007 and the second quarter of 2008 contingent upon satisfactory completion of specified delivery and acceptance milestones. The knockout mouse lines obtained by the Trust will be archived at and distributed by the European Mutant Mouse Archive (EMMA). The knockout mouse lines will be made available through EMMA to the academic research community. The Company will retain exclusive rights to make these ordered knockout lines available to commercial organizations. This first order is the result of an initial call for research proposals issued by the Trust in December 2006. Funding decisions for the proposals received from the initial call were made in February 2007. On April 30, 2007, the Trust issued a second call for proposals. The deadline for submission of this second round of proposals was June 4, 2007. The Trust expects to make the funding decisions for the second round of proposals in August or September of this year. The Company may receive a second order for knockout mouse lines following such funding decisions, but the Trust has no obligations to place any such second round orders and the Company has no assurances that the Trust will make any future orders for additional knockout mouse lines. Depending on the number of proposals received and approved in the second round, the Trust may issue a third call for proposals.

NIH Contract: Recent discussions with the NIH suggest that the Company is unlikely to receive significant future orders (if any) from the NIH prior to expiration of the Company's NIH contract on September 30, 2008. This change is attributable to budget constraints at the NIH, including the decentralization of funding pools and changes to the distribution of funding that have been implemented at the NIH during the NIH's current fiscal year.

Board of Directors: Two of the Company's directors, Lawrence Hill and Philippe O. Chambon, resigned from the Company's Board of Directors effective June 30, 2007. Mr. Hill had served as CEO of the Company during its bankruptcy proceedings and stayed on as a director for an interim period to provide continuity after the Company's reorganization. Dr. Chambon, who was a director prior to the Company's bankruptcy, re-joined the Board after the Company's reorganization to help guide the Company in its post-bankruptcy efforts.

Company Restructuring: In response to reduced revenues and non-Trust licensing activity in the first and second quarters of 2007 and lowered expectations for future revenues due to, among other things, changes in the likelihood of receiving future NIH delivery orders, the Company has implemented certain restructuring changes to reduce the fixed operating expenses of the Company. The Company terminated the employment of Dr. Shera Kash, the Company's Vice President of Operations, effective June 30, 2007. In accordance with Dr. Kash's employment agreement, Dr. Kash received payments in June 2007 for all accrued vacation time and earned bonuses, totaling \$0.090 million, and is eligible to receive up to six months of severance payments. The Company implemented effective July 1, 2007 changes to the coverages under the Company's insurance policies, reduction of certain marketing and travel expenses, suspension of review and audit activities by the Company's auditors and termination of most of the Company's offsite storage contracts. In addition, the Company implemented a new management and director compensation plan (the "Comp Plan") for the twelve-month period from July 1, 2007 through June 30, 2008 (the "Period"). Under the Comp Plan, the base salaries of the Company's officers were reduced by 50%. The officers would be eligible to receive bonuses in the event that the Company realizes a profit during the Period. In the aggregate, the Company's

officers are eligible to share 32% of the Company's first \$0.969 million in profits, 20% of the next \$0.980 million in profits and 10% of any profits in excess of the foregoing amounts. Portions of these bonuses may be paid to the officers in interim payments during the Period. The Comp Plan does not affect the amounts of any severance-related payments due under the officers' employment agreements. The Board also may adjust the Comp Plan in the event that there are unanticipated events that materially impact the forecasted expenses of the Company. The Comp Plan also reduces annual director's fees from \$40,000 each to a base director fee of \$15,000 each. The directors are eligible to each receive 0.5% of the Company's profits (if any), up to a maximum bonus of \$10,000 each. As a result of the restructuring, the fixed annual operating expenses of the Company, excluding bonuses, Dr. Kash's severance payments and variable expenses such as third-party royalty and commission payments, has been reduced to approximately \$0.965 million. Operating expenses for the first six months of 2007 and for the full year 2006, excluding bonuses and third-party royalty and commission payments, were approximately \$1.219 million and \$3.433 million, respectively.

Financials Audits and Reviews: As part of its efforts to reduce operating expenses, the Company has suspended all audit and review activities by the Company's auditors. The financials will continue to be periodically reviewed in the ordinary course of the Company's business by the certified public accountant that prepares and files the Company's tax returns.

The unaudited consolidated financial statements for the second quarter of 2007, accompanying notes, 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, 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.

DELTAGEN, INC.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

Consolidated Balance Sheet
For Quarter Ended 6/30/07

(Dollars In Thousands)

Unaudited
6/30/07
Consolidated

Assets

Current assets:

Cash and cash equivalents	2,674
Accounts receivable, net	1,713
Prepays, Deposits and Tax Assets	<u>1,194</u>
Total current assets	5,581

Property and equipment, net 85

Non-current portion of deferred tax assets 1,000

Total assets 6,666

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	309
Accrued expenses	<u>181</u>
Total liabilities	490

Stockholders' equity:

Common stock	39
Treasury Stock	(867)
Additional paid-in capital	229,338
Retained Earnings	(222,662)
Foreign currency translation adjustment	<u>326</u>
Total stockholders' equity	6,175

Total liabilities and stockholders' equity 6,666

DELTAGEN, INC.

CONSOLIDATED INCOME STATEMENT
(UNAUDITED)

**Consolidated Income Statement and
Statement of Retained Earnings
For Quarter Ended 6/30/07**

(Dollars In Thousands)	Unaudited 6/30/07 <u>Consolidated</u>
Revenue	617
Royalty and Commission Expenses	184
Other Operating Expenses	<u>665</u>
Income From Operations	(231)
Interest Income	46
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Income before provision for income taxes	(184)
Provision for income taxes	
Current income tax expense	-
Deferred income tax expense	(17)
Adjustment for valuation allowance	<u>-</u>
Total income tax expense/(income)	(17)
Net Income (Loss)	<u>(168)</u>
Retained earnings at beginning of period	<u>(222,494)</u>
Retained earnings at end of period	<u><u>(222,662)</u></u>

DELTAGEN, INC.
CONSOLIDATED CASH FLOW
(UNAUDITED)

Consolidated Cash Flow
For Quarter Ended 6/30/07

Unaudited
6/30/07
Consolidated

(Dollars In Thousands)

Cash flows from operating activities:

Net income	(168)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	5
Loss on disposal of fixed assets	-
(Increase)/Decrease in operating assets	
Accounts receivable	(309)
Prepays, deposits and tax assets	(43)
Purchase of assets	-
Deferred tax assets	-
Increase/(Decrease) in operating liabilities	
Accounts payable	(38)
Accrued expenses	85
Dividend Paid	<u>(1,936)</u>
Net Increase/(Decrease) in cash	(2,404)
Effect of foreign exchange rate change on cash and cash equivalents	16
Cash and cash equivalents, at beginning of period	<u>5,062</u>
Cash and cash equivalents, at end of period	<u><u>2,674</u></u>