

## **Deltagen Reports Fourth Quarter 2007 and Full-Year 2007 Consolidated Financial Results**

**SAN MATEO, California, February 22, 2008** - Deltagen, Inc. (Pink Sheets: DGEN), a leading provider of drug discovery tools to the biopharmaceutical industry, today reported unaudited consolidated financial results for the quarter and full year ended December 31, 2007.

**Revenues:** The Company's consolidated revenues for the quarter and the year ended December 31, 2007 totaled \$2.028 million and \$3.413 million, respectively. The revenues in the fourth quarter were attributable primarily to license fees associated with the provision of knockout mice and related phenotypic data to The Wellcome Trust (the "Trust") pursuant to orders placed by the Trust on May 29, 2007 and September 13, 2007 together with orders by other customers under the Company's DeltaOne™ program.

**Interest Income:** The Company had interest income of \$0.029 million and \$0.159 million for the quarter and the year ended December 31, 2007, respectively.

**Expenses:** Total consolidated expenses for the quarter and the year ended December 31, 2007 were \$1.127 million and \$3.666 million, respectively. The operating expenses in the fourth quarter were attributable to third-party royalty and commission expenses (\$0.611 million), as well as labor costs and other general and administrative expenses (\$0.516 million). The fourth quarter labor costs include the second of three annual installment payments made in December 2007 to the Company's officers (\$0.220 million in the aggregate) in accordance with the Company's dividend-related retention bonus plan, as discussed previously in Management's Discussion and Analysis of Financial Conditions and Results of Operation for Full-Year 2006.

**Net Income/Loss:** Net income before provision for income taxes for the quarter ended December 31, 2007 was \$0.931 million. Net loss before provision for income taxes for the year ended December 31, 2007 was \$0.093 million.

**Cash, Cash Equivalents and Accounts Receivable:** As of December 31, 2007, the Company had \$3.065 million in consolidated cash and cash equivalents and \$2.625 million in accounts receivable, following distribution of a dividend of \$0.05 per share in May 2007 to the Company's shareholders (totaling \$1.936 million) and dividends to former Xenopharm, Inc. ("Xenopharm") shareholders in August 2007 (totaling \$0.026 million) and in November 2007 (totaling \$0.245 million). These dividend payments reduced in the aggregate cash holdings of the Company by approximately \$2.028 million in 2007. The Xenopharm-related dividends are discussed in greater detail in the "Major Events" section below. The accounts receivable amount includes approximately \$1.237 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 during 2007:**

**The Wellcome Trust:** The Company received on May 29, 2007 an order from the 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

was worth \$0.850 million. The Company received on September 13, 2007 a second order worth \$1.000 million from the Trust for twenty of the Company's knockout mouse lines and related phenotypic data. The knockout mouse lines will be made available to the academic research community. The Company will retain exclusive rights to make these ordered knockout lines available to commercial organizations.

The Company received \$0.463 million and \$0.675 million pursuant to the Trust orders during the fourth quarter and calendar year 2007, respectively. The Company expects to receive the balance of the license fees relating to the Trust orders (\$1.175 million) in installment payments in the first and second quarters of 2008, contingent upon satisfaction of specified acceptance milestones.

**Dividend Distributions:** 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. The Company also distributed dividends in August and November 2007 to certain former Xenopharm shareholders in connection with the issuance of shares of the Company's common stock relating to Xenopharm earnout shares, as discussed in greater detail immediately below.

**Xenopharm Earnout Shares and Dividends:** In an Agreement and Plan of Merger and Reorganization dated February 15, 2002 by among the Company, XP Acquisition Corporation and Xenopharm (the "Merger Agreement"), entered into in connection with the Company's acquisition of 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 ("2006 Dividend") with respect to the XP Earnout Shares. The Company's 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. The XP Earnout Shares and the related dividends, which totaled approximately \$0.026 million, were distributed in August 2007.

In August 2007, the Company received a letter from certain XP Holders asserting the XP Holders' right to receive certain other earnout shares (the "Additional XP Earnout Shares") under the Merger Agreement. In October 2007, the Company entered into a settlement agreement (the "Settlement Agreement") with the stockholder representative of the XP Holders. Under the Settlement Agreement, Deltagen agreed to issue to the XP Holders, in accordance with the Merger Agreement, the Additional XP Earnout Shares, totaling up to 1,054,021 shares of the Company's common stock, and to pay to the XP Holders all prior and future dividends of the Company with respect to the Additional XP Earnout Shares, subject to the Company having received a release of liability ("Release") on or before January 23, 2008 (the "Deadline") with respect to the Merger Agreement from at least 75% of the XP Holders, on a ratable basis (the "Threshold"). The Threshold was met on October 24, 2007, when the Company received a Release from approximately 93% of the XP Holders. In November 2007, Deltagen issued the Additional XP Earnout Shares and distributed a dividend payment of \$0.25 per share with respect to the Additional XP Earnout Shares ("XP Dividends") to those XP

Holders that had executed and delivered a Release. The XP Dividends related to the Company's 2006 Dividend (\$0.20 per share) and the \$0.05 per share dividend distributed in May 2007. The Company issued in November 2007 981,123 shares and distributed \$245,280.75 in XP Dividends to the XP Holders that had returned a Release by such time. One of the XP Holders returned a Release on the Deadline and is eligible to receive certain Additional XP Earnout Shares, as discussed in greater detail in the "Subsequent Events" section below.

**Company's Mid-Year Restructuring:** In June 2007, the Company 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. The Company implemented effective July 1, 2007 changes to the coverages under the Company's insurance policies, suspension of review and audit activities by the Company's auditors and termination 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 original base salary restoration amounts and 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 (original base pay restoration), 20% of the next \$0.980 million in profits and 10% of any profits in excess of the foregoing amounts. Portions of these amounts 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 reduced 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. In connection with the Company's restructuring, two of the Company's directors, Lawrence Hill and Philippe O. Chambon, resigned from the Company's Board of Directors effective June 30, 2007.

**Xenopharm Patents Issued:** Xenopharm 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.

**Marketing in Asia:** In March 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.

## Subsequent Events:

**Additional Xenopharm Earnout Shares and Dividends:** The Company received on the Deadline a Release from one of the XP Holders that is eligible to receive Additional XP Earnout Shares in the amount of 21,522 shares of the Company's common stock and payment of \$5,380.50 in dividends. The Company expects to issue these shares and distribute these dividends in February 2008.

The unaudited consolidated financial statements for 2007, accompanying notes, and Management's Discussion and Analysis of Financial Conditions and Results of Operations will be posted on Deltagen's website ([www.deltagen.com](http://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](http://www.deltagen.com).

## Safe Harbor Statement

*This press release contains "forward-looking statements," including statements about Deltagen's future revenues, cash flows and operating results, any possible future dividend declarations, third-party royalty obligations and third-party licenses and intellectual property, the impact of Deltagen's restructuring efforts, 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](http://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.*

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**DELTAGEN, INC.**  
**CONSOLIDATED BALANCE SHEET**  
**(UNAUDITED)**

**Consolidated Balance Sheet**  
**As of 12/31/07**

<b>(In Thousands)</b>	Unaudited 12/31/07 <u>Consolidated</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	3,065
Accounts receivable, net	2,625
Prepays, Deposits and Tax Assets	<u>762</u>
Total current assets	6,451
 Property and equipment, net	 75
 Non-current portion of deferred tax assets	 1,000
 Total assets	 <u><u>7,525</u></u>
 <b>Liabilities and Stockholders' Equity</b>	
Current liabilities:	
Accounts payable	355
Accrued expenses	<u>511</u>
Total liabilities	866
 Stockholders' equity:	
Common stock	39
Treasury Stock	(867)
Additional paid-in capital	229,067
Retained Earnings	(222,033)
Foreign currency translation adjustment	<u>454</u>
Total stockholders' equity	6,660
 Total liabilities and stockholders' equity	 <u><u>7,525</u></u>

**DELTAGEN, INC.**

**CONSOLIDATED INCOME STATEMENTS  
(UNAUDITED)**

**Consolidated Income Statements and  
Statements of Retained Earnings  
For Quarter ended 12/31/07 & Full Year 2007**

<b>(In Thousands)</b>	Unaudited 12/31/07 <u>Consolidated</u>	Unaudited FY2007 <u>Consolidated</u>
Revenue	2,028	3,413
Royalty and Commission Costs	611	1,036
Other Operating Costs	516	2,630
Income From Operations	902	(253)
Interest Income	29	159
Loss on disposal of assets	-	-
Total Other Income	29	159
Income before provision for income taxes	931	(93)
Provision for income taxes		
Current income tax expense	-	-
Deferred income tax expense	347	2
Adjustment for valuation allowance	-	-
Total income tax expense	347	2
Net Income (Loss)	583	(95)
Retained earnings at beginning of period	(222,617)	(221,938)
Retained earnings at end of period	(222,033)	(222,033)

**DELTAGEN, INC.**

**CONSOLIDATED CASH FLOWS  
(UNAUDITED)**

**Consolidated Cash Flows  
For Quarter ended 12/31/07 & Full Year 2007**

**(Dollars In Thousands)**

	<u>Unaudited 12/31/07 Consolidated</u>	<u>Unaudited FY2007 Consolidated</u>
Cash flows from operating activities:		
Net income	583	(95)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5	20
Loss on disposal of fixed assets	-	-
Stock-based compensation expenses	-	(24)
(Increase)/Decrease in operating assets		
Accounts receivable	(1,072)	(964)
Prepays, deposits and tax assets	366	28
Purchase of assets	-	(12)
Increase/(Decrease) in operating liabilities		
Accounts payable	130	9
Accrued expenses	<u>403</u>	<u>17</u>
Common stock dividends paid	<u>(245)</u>	<u>(2,208)</u>
Net Increase/(Decrease) in cash	170	(3,230)
Effect of foreign exchange rate changes on cash & cash equivalents	43	159
Cash and cash equivalents, at beginning of period	<u>2,851</u>	<u>6,135</u>
Cash and cash equivalents, at end of period	<u><u>3,064</u></u>	<u><u>3,064</u></u>