

## **Deltagen Reports 2011 Third Quarter Financial Results and Announces Funding for Deltagen BioServices, Inc.**

**SAN MATEO, California, December 27, 2011** - 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 September 30, 2011 and announces that the Company's wholly-owned subsidiary, Deltagen BioServices, Inc. ("Deltagen BioServices"), has received \$1.275 million as part of fund-raising efforts to fund the operations of Deltagen BioServices.

**Revenues:** The Company's consolidated revenues for the three months ended September 30, 2011 totaled \$0.259 million. The revenues in the third quarter were attributable primarily to license fees associated with the provision of knockout mice and related phenotypic data pursuant to orders placed by customers under the Company's DeltaOne™ program.

**Expenses:** Total consolidated expenses for the three months ended September 30, 2011 were \$0.837 million, of which \$0.559 million was attributable to the operation of Deltagen BioServices. The expenses in the third quarter were attributable primarily to labor costs and other general and administrative expenses, together with \$0.061 million in royalty and commission expenses.

**Net Losses:** Consolidated net losses before provision for income taxes for the three months ended September 30, 2011 were \$0.578 million.

**Cash, Cash Equivalents and Accounts Receivable:** As of September 30, 2011, the Company had \$0.813 million in consolidated cash and cash equivalents, compared to \$1.296 million as of June 30, 2011 and \$2.353 million as of March 31, 2011, and had \$0.223 million in accounts receivable. The decline in cash and cash equivalents was due to investment in Deltagen BioServices' Malvern, Pennsylvania facility, including expenditures for capital equipment, as well as losses for the period.

**Bridge Funding of Deltagen BioServices:** As part of its fund-raising efforts, Deltagen BioServices received \$1.275 million in secured bridge loan financing on December 22, 2011. The financing was led by Life Sciences Green House of Central Pennsylvania. Deltagen BioServices will require additional capital by the second quarter of 2012 in order to continue to fund its operations in accordance with its business plan.

### **Major Events During Q3 2011 and Subsequent Events:**

**Deltagen BioServices:** During the third and fourth quarters of 2011, Deltagen BioServices completed facility commissioning, and validation of equipment, systems and numerous assays critical for its commercial operations. However, due to unanticipated facility issues necessitating repair, commercial operations have been delayed. As a result, the Company is in negotiations with the landlord of Deltagen BioServices' Malvern, Pennsylvania facility with respect to the amount of base rent and the commencement date for monthly rent payments. Deltagen BioServices expects to commence commercial GMP-compliant operations in January 2012 and to commence rent payments in the first quarter of 2012. As of December 22, 2011, Deltagen BioServices had eleven full-time employees and one part-time employee.

The unaudited consolidated financial statements for the third quarter of 2011, 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](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. Deltagen BioServices, Inc., a wholly-owned subsidiary of Deltagen based in Malvern, Pennsylvania, will provide regulatory-compliant services to support the development and commercialization of biopharmaceutical products. Deltagen BioServices' services are designed to address specific requirements for critical stages in product development, including biosafety testing, raw materials testing, assay and process validation services, cell banking and characterization services, and technology platform-specific R&D support and consulting services. 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, first-party royalty obligations and first-party licenses and intellectual property, fund-raising efforts, Deltagen BioServices' business plans, 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 09/30/11**

(Dollars in Thousands)

Unaudited  
9/30/11  
Consolidated

**Assets**

Current assets:

Cash and cash equivalents	\$	813
Accounts receivable, net		223
Prepaid expenses, deposits and deferred tax assets		<u>325</u>
Total current assets	\$	1,361

Property and equipment, net 2,595

Goodwill 224

Non-current portion of deferred tax assets 1,586

Total assets \$ 5,765

**Liabilities and Stockholders' Equity**

Current liabilities:

Accounts payable	\$	387
Accrued expenses		<u>63</u>
Total liabilities	\$	450

Stockholders' equity:

Common stock		39
Treasury Stock		(867)
Additional paid-in capital		230,638
Retained Earnings		(224,897)
Foreign currency translation adjustment		<u>402</u>
Total stockholders' equity	\$	5,315

Total liabilities and stockholders' equity \$ 5,765

DELTAGEN, INC.

CONSOLIDATED INCOME STATEMENT  
(UNAUDITED)

**Consolidated Income Statement and  
Statement of Retained Earnings  
For Quarter Ended 09/30/11**

	Unaudited 9/30/11 <u>Consolidated</u>
<b>(Dollars In Thousands)</b>	
Revenue	\$ 259
Royalty and commission expenses	61
Operating expenses	<u>776</u>
Income from operations	\$ (578)
Interest income	1
	<u>          </u>
Income (loss) before provision for income taxes	\$ (578)
Provision for income taxes	
Current income tax expense	-
Deferred income tax expense	-
Adjustment for valuation allowance	<u>-</u>
Total income tax expense/(income)	0
	<u>          </u>
Net income (loss)	\$ (578)
Retained earnings (deficit) at beginning of period	<u>(224,317)</u>
Retained earnings (deficit) at end of period	<u>\$ (224,895)</u>

**DELTAGEN, INC.**  
**CONSOLIDATED CASH FLOWS**  
**(UNAUDITED)**

**Consolidated Cash Flows**  
**For Quarter Ended 09/30/11**

Unaudited  
9/30/11  
Consolidated

**(Dollars In Thousands)**

Cash flows from operating activities:

Net income (loss)		\$ (578)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation		3
Stock-based compensation expense		-
Loss on disposal of fixed assets		-
(Increase)/decrease in operating assets		
Accounts receivable		(6)
Prepaid expenses, deposits and deferred tax assets		234
Purchase of assets		(194)
Deferred tax assets		-
Increase/(decrease) in operating liabilities		
Accounts payable		57
Accrued expenses		4
		-
Change in goodwill		-
Dividends paid		-
Net Increase/(decrease) in cash		\$ (480)
Effect of foreign exchange rate change on cash and cash equivalents		-
Cash and cash equivalents, at beginning of period		1,295
Cash and cash equivalents, at end of period		814