

Wednesday, November 7, 2007

COMPANY PRESS RELEASE

Transgenomic, Inc. Reports Third Quarter 2007 Results

OMAHA, Neb., November 7, 2007 – Transgenomic, Inc. (“The Company”) (OTCBB:[TBIO.OB](#)) today announced financial results for the quarter ended September 30, 2007. The Company’s financial results are presented in the tables that follow.

Third Quarter 2007

The Company reported a net loss of \$1.3 million or \$0.03 per share for the third quarter of 2007, compared to a net loss of \$1.7 million or \$0.03 per share for the third quarter of 2006. The 2007 net loss was comprised of a loss from continuing operations of \$1.3 million or \$0.03 per share. The 2006 net loss was comprised of a loss from continuing operations of \$1.5 million or \$0.03 per share and a loss from discontinued operations of \$0.2 million or \$0.00 per share.

Net sales from continuing operations were \$5.2 million during the third quarter 2007, compared to \$4.9 million during the comparable period of 2006. Gross profit from continuing operations was \$2.7 million or 51 percent during the third quarter of 2007, compared to \$2.3 million or 47 percent during the comparable period of 2006. Operating expenses from continuing operations were \$4.1 million during the third quarter of 2007, compared to \$3.9 million during the same period of 2006. The third quarter 2007 operating expenses included \$0.7 million of restructuring changes. The Company used cash flows in operations of \$1.1 million during the third quarter of 2007, compared to cash flows used in operations of \$0.2 million during the same period of 2006. Cash and cash equivalents totaled \$6.5 million at September 30, 2007.

Nine Months Ended September 30, 2007

The Company reported a net loss of \$2.3 million or \$0.05 per share for the nine months ended September 30, 2007, compared to a net loss of \$2.4 million or \$0.05 per share during the comparable period of 2006. The 2007 net loss was comprised of a loss from continuing operations of \$2.4 million or \$0.05 per share and income from discontinued operations of \$0.1 million or \$0.00 per share. The 2006 net loss was comprised of a loss from continuing operations of \$2.1 million or \$0.04 per share and a loss from discontinued operations of \$0.3 million or \$0.01 per share.

Net sales from continuing operations were \$16.6 million for the nine months ended September 30, 2007, compared to \$17.6 million during the comparable period of 2006. Gross profit from continuing operations was \$8.8 million or 53 percent for the nine months ended September 30, 2007, compared to \$8.3 million or 47 percent in 2006. Operating expenses from continuing operations were \$12.3 million for the nine months ended September 30, 2007, compared to \$10.6 million during the comparable period of 2006. Operating expenses for the nine months ended September 30, 2007 included \$1.3 million of restructuring changes. The Company used cash flows in operations of \$2.7 million for the nine months ended September 30, 2007, compared to cash flows generated from operations of \$0.5 million during the same period in 2006.

Comment and Outlook

The Company’s President and Chief Executive Officer, Craig Tuttle, commented “we are pleased with the year-over-year improvement in third quarter revenue, which primarily reflects continued growth in our molecular diagnostics reference lab and Pharmaceutical Services businesses. During the quarter, we signed a Phase II clinical trial with a major biopharma company that will begin in the fourth quarter and worked on projects for seven pharmaceutical customers, as well as research projects with NIH, NCI and

several academic centers. Some key instrument sales did fall out of the quarter, but are expected to be realized in the fourth quarter. We also experienced the typical affects of a summer slowdown in European sales, as well as a small impact from a summer slowdown in our molecular diagnostics reference lab revenue. However, we have completed our European consolidation efforts and made some key hires in our sales team during the quarter to help grow our reference lab business and generate new contracts with key pharmaceutical companies. We believe these changes will have a positive impact in the current quarter and as such, we are forecasting to reach break-even performance for the fourth quarter of 2007.”

Earnings Call

Company management will discuss third quarter 2007 financial results via teleconference on Wednesday, November 7, at 5:00 p.m. Eastern Time. To access the call via telephone, dial 800-895-0198 or 785-484-1053. The company will also host a live broadcast of the call over the Internet. To listen to the webcast, investors should log on to the company’s Investor Relations web page at <http://www.transgenomic.com/events.asp?id=6> and follow the instructions provided. An archived recording of the conference call will be available and can be accessed via the web using the same link listed above for 14 days after the call. Investors can also listen to a replay via telephone until 11:59 p.m. Eastern Time on Wednesday, November 21, 2007. Simply dial 800-839-4017 or 402-220-2984 from any telephone.

About Transgenomic: A decade of discovery 1997 - 2007

Transgenomic is a global biotechnology company that provides unique products and services for automated high sensitivity genetic variation and mutation analysis. Their offerings include systems, products, discovery and laboratory testing services to the academic and medical research, clinical laboratory and pharmaceutical markets in the fields of pharmacogenomics and personalized medicine. Specific offerings include WAVE[®] DHPLC systems, related consumables and assay kits, cytogenetics automated systems, Transgenomic Clinical Reference Laboratory and Genomic Research Services. Transgenomic Clinical Reference Laboratory and Genomic Research Services utilize their technology and expertise to provide a menu of mutation scanning tests for over 700 cancer-associated genes and more than 60 validated diagnostic tests to meet the needs of pharmaceutical and biotech companies, research and clinical laboratories, physicians and patients. For more information about the innovative systems, products and services offered by Transgenomic, please visit: www.transgenomic.com.

Transgenomic Cautionary Statements

Certain statements in this press release constitute “forward-looking statements” of Transgenomic within the meaning of the Private Securities Litigation Reform Act of 1995, which involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Forward-looking statements include, but are not limited to, those with respect to management’s current views and estimates of future economic circumstances, industry conditions, company performance and financial results, including the ability of the Company to grow its involvement in the diagnostic products and services markets. The known risks, uncertainties and other factors affecting these forward-looking statements are described from time to time in Transgenomic’s reports to the Securities and Exchange Commission. Any change in such factors, risks and uncertainties may cause the actual results, events and performance to differ materially from those referred to in such statements. Accordingly, the company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 with respect to all statements contained in this press release. All information in this press release is as of the date of the release and Transgenomic does not undertake any duty to update this information, including any forward-looking statements, unless required by law.

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Transgenomic, Inc.
Summary Financial Results
Unaudited Condensed Consolidated Statements of Operations
(dollars in thousands except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
NET SALES	\$ 5,151	\$ 4,919	\$ 16,645	\$ 17,605
COST OF GOODS SOLD	<u>2,500</u>	<u>2,607</u>	<u>7,872</u>	<u>9,261</u>
Gross profit	2,651	2,312	8,773	8,344
OPERATING EXPENSES:				
Selling, general and administrative	2,672	3,305	8,719	8,834
Research and development	720	586	2,270	1,721
Restructuring charge	<u>681</u>	<u>—</u>	<u>1,305</u>	<u>—</u>
	4,073	3,891	12,294	10,555
LOSS FROM OPERATIONS	(1,422)	(1,579)	(3,521)	(2,211)
OTHER INCOME (EXPENSE):				
Interest income (expense)	75	(7)	215	149
Gain on sale of investment	—	—	938	—
Other, net	<u>4</u>	<u>68</u>	<u>8</u>	<u>—</u>
	79	61	1,161	149
LOSS BEFORE INCOME TAXES	(1,343)	(1,518)	(2,360)	(2,062)
INCOME TAX EXPENSE	<u>6</u>	<u>7</u>	<u>25</u>	<u>24</u>
LOSS FROM CONTINUING OPERATIONS	(1,349)	(1,525)	(2,385)	(2,086)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	<u>—</u>	<u>(164)</u>	<u>66</u>	<u>(304)</u>
NET INCOME (LOSS)	<u>\$ (1,349)</u>	<u>\$ (1,689)</u>	<u>\$ (2,319)</u>	<u>\$ (2,390)</u>
BASIC AND DILUTED LOSS PER SHARE:				
From continuing operations	\$ (0.03)	\$ (0.03)	\$ (0.05)	\$ (0.04)
From discontinued operations	<u>0.00</u>	<u>0.00</u>	<u>(0.00)</u>	<u>(0.01)</u>
	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.05)</u>
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	49,189,672	49,189,672	49,189,672	49,188,040

Transgenomic, Inc.
Summary Financial Results
Unaudited Condensed Consolidated Statements of Cash Flows
(dollars in thousands)

	Nine Months Ended	
	September 30,	
	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,319)	\$ (2,390)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	978	1,361
Impairment charge	—	437
Non-cash stock based compensation	87	152
(Gain) Loss on sale of investment and assets	(1,034)	15
Changes in operating assets and liabilities:		
Accounts receivable	1,041	2,585
Inventories	(1,800)	805
Prepaid expenses and other current assets	(344)	26
Accounts payable	124	(820)
Accrued expenses	615	(1,691)
Net cash flows from (used in) operating activities	(2,652)	480
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchase of property and equipment	(523)	(228)
Change in other assets	(133)	(54)
Proceeds from asset sales	3,935	95
Net cash flows from (used in) investing activities	3,279	(187)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	—	5
Net cash flows from financing activities	—	5
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON		
CASH	48	271
NET CHANGE IN CASH AND CASH EQUIVALENTS	675	569
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,868	6,736
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 6,543	\$ 7,305
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ 5	\$ —
Income taxes, net	25	24

Transgenomic, Inc.
Summary Financial Results
Unaudited Condensed Consolidated Balance Sheets
(dollars in thousands except per share data)

	(unaudited)	September 30,	December 31,
	<u>2007</u>	<u>2006</u>	<u>2006</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 6,543		\$ 5,868
Accounts receivable (net of allowances for bad debts of \$585 and \$376, respectively)	5,646		6,525
Inventories	4,492		2,672
Prepaid expenses and other current assets	905		540
Total current assets	<u>17,586</u>		<u>15,605</u>
PROPERTY AND EQUIPMENT, NET	1,566		1,498
OTHER ASSETS:			
Goodwill	638		638
Other assets	725		853
Non-current assets of discontinued operations	—		<u>2,773</u>
	<u>\$ 20,515</u>		<u>\$ 21,367</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 1,964		\$ 1,558
Other accrued expenses	3,882		2,898
Accrued compensation	575		689
Current liabilities of discontinued operations	—		<u>184</u>
Total current liabilities	<u>6,421</u>		<u>5,329</u>
Long-term debt	129		—
Total liabilities	<u>6,550</u>		<u>5,329</u>
STOCKHOLDERS' EQUITY	<u>13,965</u>		<u>16,038</u>
	<u>\$ 20,515</u>		<u>\$ 21,367</u>