

Thursday, August 10, 2006

COMPANY PRESS RELEASE

Transgenomic Inc. Reports Second Quarter 2006 Results

OMAHA, Neb., August 10 -- Transgenomic Inc. (Nasdaq:[TBIO](#)) today announced financial results for the quarter ended June 30, 2006. The Company's financial results are presented in the tables that follow.

Second Quarter 2006

The Company reported a net loss of \$383,000 or \$0.01 per share for the second quarter of 2006 as compared to a net loss of \$998,000 or \$0.03 per share for the second quarter of 2005. The 2006 net loss was comprised of a loss from continuing operations of \$258,000 or \$0.01 per share and a loss from discontinued operations of \$125,000. The 2005 net loss was comprised of a loss from continuing operations of \$473,000 or \$0.01 per share and a loss from discontinued operations of \$525,000 or \$0.02 per share.

Net sales from continuing operations were \$6.2 million during the second quarter 2006, compared to \$6.9 million during the comparable period of 2005. Gross profit from continuing operations was \$3.0 million or 49 percent during the second quarter of 2006 compared to \$3.5 million or 51 percent during the comparable period of 2005. Operating expenses from continuing operations were \$3.4 million during the second quarter of 2006 compared to \$3.9 million during the same period of 2005. The Company generated positive cash flows from operations of \$691,000 during the second quarter of 2006 compared to cash flows used in operations of \$959,000 during the same period of 2005. Cash and cash equivalents totaled \$7.4 million at June 30, 2006.

Six Months Ended June 30, 2006

The Company reported a net loss of \$700,000 or \$0.01 per share for the six months ended June 30, 2006 as compared to a net loss of \$3.9 million or \$0.12 per share during the comparable period of 2005. The 2006 net loss was comprised of a loss from continuing operations of \$561,000 or \$0.01 per share and a loss from discontinued operations of \$139,000. The 2005 net loss was comprised of a loss from continuing operations of \$2.6 million or \$0.08 per share and a loss from discontinued operations of \$1.3 million or \$0.04 per share.

Net sales from continuing operations were \$12.7 million for the six months ended June 30, 2006, compared to \$13.8 million during the comparable period of 2005. Gross profit from continuing operations was \$6.0 million or 48 percent for the six months ended June 30, 2006 compared to \$6.9 million or 50 percent in 2005. Operating expenses from continuing operations were \$6.7 million for the six months ended June 30, 2006 compared to \$7.8 million during the comparable period of 2005. The Company generated positive cash flows from operations of \$665,000 for the six months ended June 30, 2006 compared to cash flows used in operations of \$1.2 million during the same period in 2005.

Comment and Outlook

The Company's President and Chief Executive Officer, Craig Tuttle, indicated that the Company achieved a significant milestone during the quarter by generating its first ever positive operating cash flows. He further noted that his immediate priorities were to maximize opportunities from existing products, focus and streamline the product development pipeline and to accelerate the drive to profitability. Tuttle stated, "We are currently looking to commercialize several new products and services that leverage on enhancing the capabilities of our highly sensitive and effective mutation screening technologies. The first of these is our Surveyor[®] CE technology that reduces the cost and time required for discovering mutations using routine sequencing platforms. The second is a stronger commercial push of our lab services business for

both research and clinical discovery of disease causing mutations. In this area, our expertise in analyzing patient samples for mutations in cancer genes and mitochondrial DNA, as well as the discovery and validation of new disease markers, is significant. The third major application is based on our core systems capabilities for isolating DNA from mixed specimens for forensic and microbial analyses. We are also seeing some growing success in our recently sourced cytogenetics product portfolio.”

Earnings Call

Company management will discuss second quarter 2006 financial results via teleconference on Thursday, August 10, at 5:00 p.m. Eastern Time. To access the call via telephone, dial 800-903-0258 or 785-832-2422. 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 Thursday, August 24, 2006. Simply dial 800-839-4012 or 402-220-2981 from any telephone.

About Transgenomic

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, reagents, consumables and assay kits, Hanabi automated cytogenetics systems, and Transgenomic Discovery and CLIA Lab Services. To date there have been over 1,200 Wave systems installed in over 600 customer sites in over 35 countries and approximately 1,500 publications utilizing Transgenomic products or services. Transgenomic Discovery and Lab 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.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
NET SALES	\$ 6,189	\$ 6,889	\$ 12,686	\$ 13,817
COST OF GOODS SOLD	<u>3,140</u>	<u>3,403</u>	<u>6,654</u>	<u>6,932</u>
Gross profit	3,049	3,486	6,032	6,885
OPERATING EXPENSES:				
Selling, general and administrative	2,820	3,306	5,529	6,592
Research and development	<u>531</u>	<u>581</u>	<u>1,135</u>	<u>1,187</u>
	<u>3,351</u>	<u>3,887</u>	<u>6,664</u>	<u>7,779</u>
LOSS FROM OPERATIONS	(302)	(401)	(632)	(894)
OTHER INCOME (EXPENSE):				
Interest expense	—	(83)	—	(1,740)
Other, net	<u>44</u>	<u>25</u>	<u>88</u>	<u>17</u>
	<u>44</u>	<u>(58)</u>	<u>88</u>	<u>(1,723)</u>
LOSS BEFORE INCOME TAXES	(258)	(459)	(544)	(2,617)
INCOME TAX EXPENSE	—	14	17	18
LOSS FROM CONTINUING OPERATIONS	(258)	(473)	(561)	(2,635)
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	<u>(125)</u>	<u>(525)</u>	<u>(139)</u>	<u>(1,255)</u>
NET LOSS	<u>\$ (383)</u>	<u>\$ (998)</u>	<u>\$ (700)</u>	<u>\$ (3,890)</u>
BASIC AND DILUTED LOSS PER SHARE:				
From continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.08)
From discontinued operations	<u>0.00</u>	<u>(0.02)</u>	<u>0.00</u>	<u>(0.04)</u>
	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.12)</u>
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	49,189,672	34,237,042	49,187,211	32,122,502

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

	Six Months Ended June 30,	
	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (700)	\$ (3,890)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	956	2,101
Non-cash financing costs	—	1,434
(Gain) on sale of securities	—	(9)
Loss on sale of assets	7	—
Other	—	2
Changes in operating assets and liabilities:		
Accounts receivable	1,131	1,241
Inventories	785	611
Prepaid expenses and other current assets	(90)	399
Accounts payable	(477)	(841)
Accrued expenses	(947)	(2,220)
Net cash flows from (used in) operating activities	665	(1,172)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the maturities and sale of available for sales securities	—	617
Purchase of property and equipment	(178)	(671)
Change in other assets	(41)	(1)
Proceeds from asset sales	40	139
Net cash flows from (used in) investing activities	(179)	84
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in credit line	—	2,050
Payments on term note	—	(178)
Issuance of common stock	5	7
Net cash flows from financing activities	5	1,879
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH		
	135	(79)
NET CHANGE IN CASH AND CASH EQUIVALENTS	626	712
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,736	1,002
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 7,362	\$ 1,714
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ —	\$ 316
Income taxes, net	17	18
Non-cash transactions:		
Available for sale securities acquired for goods and services	—	608
Conversions of debt to equity	—	2,579

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

	June 30,	December 31,
	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,362	\$ 6,736
Accounts receivable (net of allowances for bad debts of \$378 and \$615, respectively)	6,605	7,542
Inventories	2,403	2,990
Prepaid expenses and other current assets	709	653
Current assets of discontinued operations	<u>197</u>	<u>197</u>
Total current assets	17,276	18,118
PROPERTY AND EQUIPMENT, NET	2,030	2,577
OTHER ASSETS:		
Goodwill	638	638
Other assets	900	1,074
Non-current assets of discontinued operations	<u>3,061</u>	<u>2,933</u>
	<u>\$ 23,905</u>	<u>\$ 25,340</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,439	\$ 1,796
Other accrued expenses	2,949	3,114
Accrued compensation	760	602
Current liabilities of discontinued operations	<u>1,046</u>	<u>1,922</u>
Total current liabilities	6,194	7,434
Long-term debt	<u>—</u>	<u>—</u>
Total liabilities	6,194	7,434
STOCKHOLDERS' EQUITY	<u>17,711</u>	<u>17,906</u>
	<u>\$ 23,905</u>	<u>\$ 25,340</u>