

Tuesday, November 14, 2006

COMPANY PRESS RELEASE

Transgenomic, Inc. Reports Third Quarter 2006 Results

OMAHA, Neb., November 14 – Transgenomic, Inc. (Nasdaq:[TBIO](#)) today announced financial results for the quarter ended September 30, 2006. The Company's financial results are presented in the tables that follow.

Third Quarter 2006

The Company reported a net loss of \$1.7 million or \$0.03 per share for the third quarter of 2006 as compared to a net income of \$111,000 or \$0.00 per share for the third quarter of 2005. 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 \$164,000. The 2005 net income was comprised of a loss from continuing operations of \$526,000 or \$0.02 per share and an income from discontinued operations of \$637,000 or \$0.02 per share.

Net sales from continuing operations were \$4.9 million during the third quarter 2006, compared to \$6.7 million during the comparable period of 2005. Gross profit from continuing operations was \$2.3 million or 47 percent during the third quarter of 2006 compared to \$3.1 million or 47 percent during the comparable period of 2005. Operating expenses from continuing operations were \$3.9 million during the third quarter of 2006 compared to \$3.4 million during the same period of 2005. The Company used cash flows in operations of \$185,000 during the third quarter of 2006 compared to cash flows used in operations of \$804,000 during the same period of 2005. Cash and cash equivalents totaled \$7.3 million at September 30, 2006.

Nine Months Ended September 30, 2006

The Company reported a net loss of \$2.4 million or \$0.05 per share for the nine months ended September 30, 2006 as compared to a net loss of \$3.8 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 \$2.1 million or \$0.04 per share and a loss from discontinued operations of \$304,000 or \$0.01 per share. The 2005 net loss was comprised of a loss from continuing operations of \$3.2 million or \$0.10 per share and a loss from discontinued operations of \$618,000 or \$0.02 per share.

Net sales from continuing operations were \$17.6 million for the nine months ended September 30, 2006, compared to \$20.5 million during the comparable period of 2005. Gross profit from continuing operations was \$8.3 million or 47 percent for the nine months ended September 30, 2006 compared to \$10.0 million or 49 percent in 2005. Operating expenses from continuing operations were \$10.6 million for the nine months ended September 30, 2006 compared to \$11.2 million during the comparable period of 2005. The Company generated positive cash flows from operations of \$480,000 for the nine months ended September 30, 2006 compared to cash flows used in operations of \$2.0 million during the same period in 2005.

Comment and Outlook

The Company's President and Chief Executive Officer, Craig Tuttle, noted that this quarter's results were well below expectations and resulted from softness in both the European and Asia Pacific markets compared to historical sales levels. Tuttle noted, "We are very disappointed in our sales result for the quarter. The typical market slowdown during summer in Europe was larger this year for our WAVE system than in years past and coincided with an unusual shortfall in system sales in Asia. Several system sales that occurred at the end of the quarter could not be recognized but will be in the fourth quarter.

Therefore, we expect our fourth quarter sales level to return to that of the first two quarters of the year.” He further added, “Our Discovery Services group grew an additional \$100,000 compared to the second quarter and we are very optimistic about the upcoming launch of our mutation discovery product Surveyor® with its new application for standard sequencing platforms. Also, we are developing new intellectual property for a large number of cancer-linked mutations that were recently discovered internally. We believe developing this intellectual property could position us for future cancer screening and prediction diagnostic opportunities. In addition, we have also engaged the investment banking firm of Thomas Weisel Partners as an advisor to help the Company maximize shareholder value for both short and long-term benefit.”

Earnings Call

Company management will discuss third quarter 2006 financial results via teleconference on Tuesday, November 14, at 5:00 p.m. Eastern Time. To access the call via telephone, dial 877-707-9628 or 785-832-1523. 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 Tuesday, November 28, 2006. Simply dial 800-839-4014 or 402-220-2983 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 1,300 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 September 30,		Nine Months Ended September 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
NET SALES	\$ 4,919	\$ 6,663	\$ 17,605	\$ 20,480
COST OF GOODS SOLD	<u>2,607</u>	<u>3,548</u>	<u>9,261</u>	<u>10,480</u>
Gross profit	2,312	3,115	8,344	10,000
OPERATING EXPENSES:				
Selling, general and administrative	3,305	2,692	8,834	9,284
Research and development	586	510	1,721	1,697
Impairment charge	<u>—</u>	<u>247</u>	<u>—</u>	<u>247</u>
	<u>3,891</u>	<u>3,449</u>	<u>10,555</u>	<u>11,228</u>
LOSS FROM OPERATIONS	(1,579)	(334)	(2,211)	(1,228)
OTHER INCOME (EXPENSE):				
Interest expense	(7)	(181)	(7)	(1,921)
Other, net	<u>68</u>	<u>(3)</u>	<u>156</u>	<u>14</u>
	<u>61</u>	<u>(184)</u>	<u>149</u>	<u>(1,907)</u>
LOSS BEFORE INCOME TAXES	(1,518)	(518)	(2,062)	(3,135)
INCOME TAX EXPENSE	<u>7</u>	<u>8</u>	<u>24</u>	<u>26</u>
LOSS FROM CONTINUING OPERATIONS	(1,525)	(526)	(2,086)	(3,161)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX	<u>(164)</u>	<u>637</u>	<u>(304)</u>	<u>(618)</u>
NET INCOME (LOSS)	<u>\$ (1,689)</u>	<u>\$ 111</u>	<u>\$ (2,390)</u>	<u>\$ (3,779)</u>
BASIC AND DILUTED LOSS PER SHARE:				
From continuing operations	\$ (0.03)	\$ (0.02)	\$ (0.04)	\$ (0.10)
From discontinued operations	<u>0.00</u>	<u>0.02</u>	<u>(0.01)</u>	<u>(0.02)</u>
	<u>\$ (0.03)</u>	<u>\$ (0.00)</u>	<u>\$ (0.05)</u>	<u>\$ (0.12)</u>
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	49,189,672	34,242,966	49,188,040	32,837,078

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

	Nine Months Ended	
	September 30,	
	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,390)	\$ (3,779)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	1,361	3,294
Impairment charge	437	247
Non-cash financing costs	—	1,298
Non-cash stock based compensation	152	—
Gain on sale of securities	—	(9)
Loss on sale of assets	15	—
Other	—	2
Changes in operating assets and liabilities:		
Accounts receivable	2,585	(626)
Inventories	805	960
Prepaid expenses and other current assets	26	650
Accounts payable	(820)	(912)
Accrued expenses	(1,691)	(3,101)
Net cash flows from (used in) operating activities	480	(1,976)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the maturities and sale of available for sales securities	—	617
Purchase of property and equipment	(228)	(554)
Change in other assets	(54)	34
Proceeds from asset sales	95	139
Net cash flows from (used in) investing activities	(187)	236
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in credit line	—	2,519
Payments on term note	—	(178)
Issuance of common stock	5	(35)
Net cash flows from financing activities	5	2,306
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON		
CASH	<u>271</u>	<u>(207)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	569	359
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>6,736</u>	<u>1,002</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 7,305</u>	<u>\$ 1,361</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ —	\$ 491
Income taxes, net	24	27
Non-cash transactions:		
Available for sale securities acquired for goods and services	—	2,099
Conversions of debt to equity	—	2,535

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

	September 30,	December 31,
	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,305	\$ 6,736
Accounts receivable (net of allowances for bad debts of \$376 and \$615, respectively)	5,349	7,542
Inventories	2,336	2,990
Prepaid expenses and other current assets	732	653
Current assets of discontinued operations	—	197
Total current assets	15,722	18,118
PROPERTY AND EQUIPMENT, NET	1,761	2,577
OTHER ASSETS:		
Goodwill	638	638
Other assets	923	1,074
Non-current assets of discontinued operations	2,668	2,933
	<u>\$ 21,712</u>	<u>\$ 25,340</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,437	\$ 1,796
Other accrued expenses	2,800	3,114
Accrued compensation	684	602
Current liabilities of discontinued operations	280	1,922
Total current liabilities	5,201	7,434
Long-term debt	—	—
Total liabilities	5,201	7,434
STOCKHOLDERS' EQUITY	<u>16,511</u>	<u>17,906</u>
	<u>\$ 21,712</u>	<u>\$ 25,340</u>