

Interim Report 2001

Oxford BioMedica's move to the Official List of the London Stock Exchange is the culmination of four years of successful growth and development.

The most significant event for BioMedica in the first half of 2001 was the fundraising and move to the Official List of the London Stock Exchange that was completed in April. The Company raised £35.5 million before costs from a placing and open offer, despite the difficult market conditions at the time. This was a landmark event in BioMedica's development. We were able to achieve it because of the Company's excellent achievements and potential that we were able to

present to existing and prospective shareholders. The strong position we now find ourselves in is the direct product of our dedicated and talented technical, commercial and business development teams. Credit for this achievement also goes to our team of advisors.

Commercial Developments Therapeutics

In January, the Company announced a new collaborative

product development deal with American Home Products/Wyeth. The contract had a headline value of \$24 million in access and milestone payments, and in addition, royalties on sales of the product. This is a good illustration of BioMedica's versatile and creative commercial strategy. The subject of the deal is a spin-off from the Company's TroVax™ tumour vaccine programme. As part of the TroVax™ technology, the Company had an antibody

(OBA1-H8) directed against the tumour antigen (protein) that is delivered by TroVax™. Because that antigen is present on a wide range of tumour cells and is not present on normal tissue, the antibody directed against it is potentially a valuable therapeutic agent. The team that produced Wyeth's Mylotarg product for leukaemia considered BioMedica's OBA1-H8 antibody to be an ideal candidate for a Mylotarg-like product but with, perhaps,

broader use in a wide range of cancers. This concept forms the basis of the deal. The development programme started in January and is already making good progress.

The OBA1-H8 imaging project with Nycomed-Amersham is progressing well and the TroVax™-Vet collaboration with Virbac S.A. has achieved its initial goal of demonstrating that the animal version of OBA-1 is present on a number of canine and feline tumours.

BioMedica and its partner IDM have now identified defined clinical strategies for TroVax™-DC and MetXia®-MG (previously described as MacroGen-CYP2B6). Protocols and clinical strategies for these two products are being drafted with the first trials planned for the second half of 2002.

The cardiovascular collaboration with Aventis continues, including the ongoing evaluation of BioMedica's LentiVector® system for the delivery of angiogenic factors. There has been some reorganisation within Aventis and the changes in the management of their Gencell operation. The new Gencell organisation has an increased focus on gene therapy to treat cardiovascular disease, the subject of the collaboration.

Other collaborations are proceeding according to plan and there are several new contracts, at various stages, under discussion.

Gene Discovery

Following the £8.5 million Gene Discovery fundraising last August the Gene Discovery Division has been assembling its marketing data and documentation. The business development programme was then

initiated in earnest in April. This has already been successful, with currently 15 potential partners at various stages of discussion. Two of these, Millennium and Biogen, have already progressed to feasibility studies and the Company is optimistic that these and other interactions should lead to gene discovery deals later this year.

Clinical Development

We continue to make good progress in our clinical programmes.

MetXia®

The MetXia® clinical development programme is expanding to include two new formulations. The first of these has obtained ethical approval from GTAC and will be evaluated as part of the current breast cancer clinical programme. The second, MetXia®-MG, is being developed

in collaboration with IDM for use in all peritoneal cancers (ovarian, bladder, pancreatic, colorectal and stomach cancers) and we anticipate that it will enter clinical development in mid-2002. This will broaden the data that we are obtaining from the ongoing OC1 ovarian cancer trial.

The ability to vary the configuration and formulation during an early clinical development programme highlights one of the strengths of the gene therapy approach and allows the product to be enhanced prior to larger scale and more expensive testing. To date MetXia® has been proven to be safe and has given positive gene transfer to breast and ovarian tumours and melanomas. This means that the primary goals of these trials have been achieved.

TroVax™

The TroVax™ clinical programme in colorectal cancer is progressing as predicted with one third of the patients now enrolled. The trial is on track to deliver preliminary results early in 2002. The Company already anticipates building on this programme with a cell-based formulation, TroVax™-DC, in collaboration with IDM in 2002.

Preclinical Development

Several of the Company's products are moving successfully through the preclinical phase. ProSavin®, a treatment for late stage Parkinson's disease and BetOvaC®, a gene-based immunotherapy for ovarian cancer, are progressing through preclinical development as predicted and should both begin clinical development by the end of 2002.

ProCaStat®, a lentiviral based gene therapy for prostate cancer, moved into the preclinical phase during early 2001. This product is expected to outperform other vector systems in this particular cancer type because of advances that we have made in gene delivery and in the therapeutic gene. The ProCaStat® clinical development programme is being accelerated and it is now planned to be submitted for regulatory approval in early 2002 with a view to starting a clinical programme in the latter half of 2002.

The ImmStat® AIDS product remains on hold, but it is ready to move into a clinical development programme. Discussions around ImmStat® are ongoing with a potential partner.

Therapeutic Research

There have been several important

developments in the Company's hypoxia and ischaemia research programme, and in immunotherapy and neurobiology. Two areas in the field of neurobiology are worthy of special mention. Over the past two years, BioMedica has been developing technologies for the selective delivery of genes to neurones based on the LentiVector® system. A key part of this technology has been the ability to modify the surface of the gene delivery particles for specific purposes. One of the most exciting developments has been the construction of a system that enables the Company to deliver genes to the central nervous system by the relatively non-invasive injection of peripheral sites. This technology provides opportunities in both therapy for peripheral neuropathies and pain, and in gene discovery.

The other noteworthy development comes from the collaboration with King's College in London. BioMedica has acquired the rights to use a gene, identified by the King's team, which induces new nerve growth. Initial results in which this gene is delivered using the Company's LentiVector® system suggest that it may be possible to develop products for nerve repair. This has substantial commercial potential, as there are no products currently available for nerve injury or peripheral neuropathies.

Gene Discovery

The Gene Discovery Division has successfully applied BioMedica's proprietary Smartomics® to target discovery, using the Company's gene transfer technologies to uncover novel parts of disease-related biological pathways. The Company has protected, in five

patent applications, more than 250 potential new targets for the treatment of stroke, heart disease, rheumatoid arthritis and atherosclerosis. Our gene transfer technology opens the way to various validation assays, which are crucially important to prove the relevance of targets to the development of new therapies. BioMedica has provided this technology to several other companies including Aventis, AstraZeneca, Millennium and Biogen, and it has been applied to the validation of the Company's own targets. A number of targets are progressing through validation. One gene in particular, which the Company has shown to be implicated in ischaemic disease, seems to play a role in programmed cell death in the brain. It may be possible to improve the survival of brain cells after stroke by targeting this gene

with drugs which reduce its effect on cell death.

Intellectual Property

BioMedica recognises the importance of a strong patent portfolio, and we are pleased to report a number of significant developments. Nine new patent applications have been filed, three applications have gone to the international phase and nine have been granted. The granted patents have been in the fields of LentiVector[®], retroviral vectors, Parkinson's disease therapy, MacroGen[®], the control of gene function by oxygen and HIV therapy. The most significant of these are the LentiVector[®] patents which give BioMedica a strong position in this key field.

BioMedica Inc.

Following the fundraising in April, Oxford BioMedica

established BioMedica Inc. in California. The Company was delighted to appoint Dr. Doug Jolly as the CEO of the new subsidiary. Doug has been in the field of gene therapy for more than 15 years. He has managed a number of clinical trials, he is an advisor to the US Food and Drug Administration (FDA) and National Institutes of Health, he has founded his own company, Viagene, and taken it to a Nasdaq listing. Chiron subsequently acquired Viagene, and Doug then joined Chiron as Vice President for Scientific Affairs. He is a well known figure in the field, and he is already having an impact on business development in the USA.

BioMedica Inc. will move into temporary facilities in September 2001 and into a permanent building next year. Initial goals will be to refine the Company's

LentiVector[®] production technology and to expand the neurobiology opportunities. In addition BioMedica Inc. will act as a focal point for commercial interactions in North America and it will start to build a strong relationship with the FDA as BioMedica begins to conduct clinical trials in the USA.

Financial

In April, in conjunction with the move from AIM to the London Stock Exchange Official List, BioMedica concluded a placing and open offer, raising £35.5 million before expenses. A total of 64.5 million new shares were issued at 55p per share. 59.2 million shares were placed with financial institutions, and 5.3 million shares were taken up in the open offer. Net of costs, the placing and open offer raised £32.3 million. Subsequent to the

placing and open offer, the Company's advisor N.M. Rothschild & Sons Limited subscribed £250,000 at the placing price.

In addition, the Company issued 204,360 shares in February to King's College in a £150,000 subscription in connection with the acquisition of rights to use the RAR β 2 gene, and in April issued 102,900 shares at 15.5p per share on the exercise of share options.

The proceeds of the placing and open offer have allowed BioMedica to increase its staff and to expand several of its programmes. At 30 June 2001 the headcount was 71, including three at BioMedica Inc., the newly-formed United States subsidiary. During the first half of 2001

BioMedica renewed the lease on its 11,000 sq.ft. facilities on the Oxford Science Park, and took out leases on a further 17,000 sq.ft., also on the Science Park. Part of the new space is being fitted out as state-of-the-art laboratories. This expansion in staff and facilities was planned alongside the placing and open offer and was within budget.

As a result of increased activities, the loss after tax for the first half of 2001 was £3.6 million, an increase of 39% on the same period last year. Revenue was £0.3 million (2000: £0.3 million), and net operating expenses were £5.0 million compared to £3.2 million in 2000. As a result of the increased cash balance following the placing and open offer, interest receivable

was substantially higher at £0.6 million (2000: £0.2 million). The R&D tax credit for 2001 was £0.4 million. The credit of £0.1 million in 2000 covered a three month period following the introduction of the tax credit in April 2000.

Fixed asset additions of £1.5 million in 2001 included £0.8 million on configuring the new labs and offices, and £0.5 million for lab equipment.

The bank balance at 30 June 2001 was £39.9 million, in line with the budget.

In Closing

BioMedica has continued to grow in its product pipeline, its technical capabilities and its commercial interactions. The staff

are to be congratulated on another successful period in the Company's history. We thank our loyal shareholders for their continued support and we welcome our new shareholders from the April fundraising. The Company will continue to strive to deliver shareholder value.



Prof. Alan Kingsman Chief Executive



Dr. Peter Johnson Chairman

Consolidated Profit & Loss Account

	6 months ended 30 June 2001 (unaudited) £000's	6 months ended 30 June 2000 (unaudited) £000's	Year ended 31 December 2000 (audited) £000's
Turnover	347	344	732
Research and development	(3,755)	(2,507)	(5,033)
Administrative expenses	(1,236)	(805)	(1,731)
Operating expenses	(4,991)	(3,312)	(6,764)
Other operating income: government grants receivable	14	85	96
Net operating expenses	(4,977)	(3,227)	(6,668)
Operating loss	(4,630)	(2,883)	(5,936)
Interest receivable	611	193	541
Interest payable	(1)	-	-
Loss on ordinary activities before taxation	(4,020)	(2,690)	(5,395)
Tax on loss on ordinary activities	435	110	393
Loss for the period	(3,585)	(2,580)	(5,002)
Loss and diluted loss per ordinary share	(1.8p)	(1.7p)	(3.1p)

The results for the above periods are derived entirely from continuing operations.

The Group has no recognised gains and losses other than the above results, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation for the periods stated above, and their historical cost equivalents.

Consolidated Balance Sheet

	As at 30 June 2001 (unaudited) £000's	As at 30 June 2000 (unaudited) £000's	As at 31 December 2000 (audited) £000's
Fixed assets			
Intangible assets	258	307	283
Tangible assets	2,445	715	1,304
Investments	26	26	26
	<u>2,729</u>	<u>1,048</u>	<u>1,613</u>
Current assets			
Debtors: amounts falling due within one year	1,622	708	1,069
Cash at bank and in hand	39,853	5,915	11,635
	<u>41,475</u>	<u>6,623</u>	<u>12,704</u>
Creditors: amounts falling due within one year	<u>(2,059)</u>	<u>(1,087)</u>	<u>(1,340)</u>
Net current assets	<u>39,416</u>	<u>5,536</u>	<u>11,364</u>
Total assets less current liabilities	<u>42,145</u>	<u>6,584</u>	<u>12,977</u>
Provisions for liabilities and charges	-	(43)	-
Net assets	<u>42,145</u>	<u>6,541</u>	<u>12,977</u>
Capital and reserves			
Called-up share capital	2,374	1,564	1,721
Share premium account	58,528	17,727	26,428
Other reserves	711	711	711
Profit and loss account (deficit)	<u>(19,468)</u>	<u>(13,461)</u>	<u>(15,883)</u>
Equity shareholders' funds	<u>42,145</u>	<u>6,541</u>	<u>12,977</u>

Consolidated Cash Flow Statement

	6 months ended 30 June 2001 (unaudited) £000's	6 months ended 30 June 2000 (unaudited) £000's	Year ended 31 December 2000 (audited) £000's
Operating activities			
Net cash outflow from continuing operating activities (reconciliation to operating loss on page 9)	(3,969)	(2,547)	(5,306)
Returns on investments and servicing of finance			
Interest received	521	193	407
Interest paid	(1)	-	-
	520	193	407
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(1,151)	(90)	(683)
Net cash outflow before management of liquid resources and financing	(4,600)	(2,444)	(5,582)
Management of liquid resources			
Transfer to deposit accounts	(43,282)	(7,740)	(14,729)
Transfer to current accounts	14,679	1,899	3,637
	(28,603)	(5,841)	(11,092)
Financing			
Issue of ordinary shares	35,909	5,481	14,603
Expenses of share issue	(3,091)	(161)	(425)
	32,818	5,320	14,178
Decrease in cash in the period	(385)	(2,965)	(2,496)

Reconciliation of operating loss to net cash outflow from operating activities

Continuing activities

Operating loss
Amortisation on intangible fixed assets
Depreciation on tangible fixed assets
Loss on disposal of tangible fixed assets
Decrease in debtors falling due after more than one year
(Increase)/Decrease in trade debtors
Increase in other debtors and other tax receivable
Increase in prepayments and accrued income
Increase in trade creditors
(Decrease)/increase in other taxation and social security
Increase in accruals and deferred income
Increase in provisions for liabilities and charges

Net cash outflow from continuing operating activities

6 months ended 30 June 2001 (unaudited) £000's	6 months ended 30 June 2000 (unaudited) £000's	Year ended 31 December 2000 (audited) £000's
(4,630)	(2,883)	(5,936)
25	25	49
318	152	321
1	3	5
37	-	-
-	(27)	24
(5)	(102)	(52)
(60)	(37)	(82)
146	6	99
(30)	(10)	57
229	283	209
-	43	-
(3,969)	(2,547)	(5,306)

Notes

1. Copies of this statement are being sent to all shareholders. Copies are also available at the registered office of the Company, Medawar Centre, Oxford Science Park, Oxford OX4 4GA.
2. On 5 February 2001 the Company issued 204,360 new ordinary shares of 1p each at 73.4p per share, raising cash proceeds of £150,000. On 12 April 2001 the Company issued 64,532,359 new ordinary shares of 1p each at 55p per share, raising cash proceeds of £35,493,000 before expenses. On 30 April 2001 the Company issued 102,900 new ordinary shares of 1p each at 15.5p per share, raising cash proceeds of £16,000. On 22 May 2001 the Company issued 454,545 new ordinary shares of 1p each at 55p per share, raising cash proceeds of £250,000.
3. The interim results are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The interim results are prepared in accordance with the accounting policies set out in the Report and Accounts for the year ended 31 December 2000 but have not been reviewed by the auditors. The financial information relating to the year ended 31 December 2000 has been extracted from the full report and accounts for that period which have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified.
4. The basic loss per share has been calculated by dividing the loss for the period by the weighted average number of 200,765,989 shares in issue during the six months ended 30 June 2001 (six months ended 30 June 2000: 154,885,490, year ended 31 December 2000: 161,851,789). The Company had no dilutive potential ordinary shares in any of the periods which would serve to increase the loss per ordinary share. There is therefore no difference between the loss per ordinary share and the diluted loss per ordinary share.



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