

A Year of Transformation

2007 has been a transformational year for Oxford BioMedica with the achievement of our two main corporate objectives: a global alliance with sanofi-aventis to develop and commercialise TroVax for the treatment of cancer; and the initiation of a Phase I/II trial with ProSavin, our gene-based treatment for Parkinson's disease. We have ended 2007 with four products in clinical development; support for our lead product from a partner that is a major player in oncology and vaccines; and a strengthened balance sheet. Over the next 18 months, key clinical results are expected from trials of both TroVax and ProSavin, which could dramatically enhance the value of these programmes and could support the registration of our first therapeutic product.

Highlights

TroVax[®] cancer

- Global collaboration with sanofi-aventis
- Achieved two milestones under sanofi-aventis agreement
- Three successful DSMB reviews of TRIST study in renal cancer
- Further Phase II results in renal cancer suggest therapeutic potential

ProSavin[®] Parkinson's disease

- Initiated Phase I/II trial in Parkinson's disease
- Efficacy in ongoing preclinical studies exceeds 27 months

Hi-8[®] MEL melanoma

- Phase II follow-up confirms survival advantage in immune responders

Other development products

- Recruitment progressing in Phase II trial of MetXia[®] in pancreatic cancer
- Preclinical results with RetinoStat[®] in wet AMD confirm proof of concept
- Preclinical results with StarGen[™] in Stargardt's disease confirm proof of concept
- Initiated EndoAngio-GT anti-cancer programme

Technology and corporate

- Acquisition of Oxxon Therapeutics
- Technology licensing agreement with major US biotech company
- Secured rights to therapeutic use of Nobel Prize-winning RNAi technology

Financial

- Payments from sanofi-aventis £25.8 million (2006: nil)
- Revenue £7.2 million (2006: £0.8 million)
- Research & development costs £22.1 million (2006: £19.5 million)
- Loss for the year £15.3 million (2006: £17.6 million)
- Positive operational cash flow £5.9 million (2006: cash burn £15.9 million)
- Net cash¹ £38.1 million (31 December 2006: £28.5 million)

¹ Cash, cash equivalents and current financial assets

1 Introduction

A Year of Transformation
 01 Highlights
 03 Corporate Mission
 04 Company Overview

2 Chairman's Statement

10 Chairman's Statement

3 Strategy

13 Key Performance Indicators
 16 Markets
 19 Principal Risks and Uncertainties

4 Operational Review

23 Performance
 26 Advanced Candidates
 35 Early-stage Candidates
 36 Technology Licensing
 37 Intellectual Property
 38 Financial Review
 44 Outlook

5 Governance and Responsibility

47 Corporate Governance Statement
 49 Corporate Social Responsibility

6 Directors' Reports

53 Board of Directors
 55 Scientific Advisory Board
 56 Directors' Report
 60 Directors' Remuneration Report

7 Financial Statements

67 Independent Auditors' Report
 69 Consolidated Income Statement
 70 Balance Sheets
 71 Cash Flow Statements
 72 Statement of Changes in Shareholders' Equity
 74 Notes to the Consolidated Financial Statements
 98 Advisors

Corporate Mission

Oxford BioMedica's mission is to be the leading company in the development and commercialisation of gene-based medicines that provide safe and effective treatments for patients with diseases that have an unmet medical need. Oxford BioMedica operates to high standards of integrity in its dealings with all parties, including shareholders, employees, patients, healthcare professionals, partners, licensees and the wider community, and seeks significant returns for shareholders through the application of scientific, commercial and operational excellence.

Company Overview

OPERATIONS

Oxford BioMedica is one of the leading companies in gene therapy and immunotherapy. A biopharmaceutical company established in 1996 as a spin out from Oxford University, Oxford BioMedica is listed on the London Stock Exchange (LSE: OXB). The Company has raised £117 million (before costs) through market issues of equity since its inception and has no debt obligations. The Company has a staff of 82, mainly based in laboratories and offices in Oxford. We also have a wholly owned subsidiary, BioMedica Inc, in San Diego, USA.

Oxford BioMedica is developing novel gene-based medicines and therapeutic vaccines based on a broad technology platform. Four products are currently in clinical development and a further nine programmes are being evaluated in preclinical studies. The Company aims to advance at least one additional product per year into clinical development.

The Company has in-house research, clinical, regulatory and manufacturing capabilities. Our product candidates and technologies are protected by over 80 patent families, which represent one of the broadest patent estates in the field.

Our strategy is to create a broad pipeline both through in-house research and development and through collaborations. For most of our products, Oxford BioMedica aims to partner with pharmaceutical companies for late-stage development and commercialisation. However, for certain products that address specialised markets, we plan to retain commercialisation rights. We also out-license our proprietary technologies on an exclusive or non-exclusive basis for near-term revenue. Oxford BioMedica has collaborations with sanofi-aventis, Wyeth, Sigma-Aldrich, MolMed and VIRxSYS; and has licensed

its technology to a number of companies including Pfizer, GlaxoSmithKline, Merck & Co and Biogen Idec.

PIPELINE

Oxford BioMedica's advanced development pipeline comprises four products in clinical development and a late-stage preclinical candidate. Our lead product is TroVax, a therapeutic vaccine that has potential application in a wide range of tumour types. TroVax is being evaluated in a Phase III trial in renal cancer and two Phase III trials in colorectal cancer are expected to start in 2008. Our next key programme is ProSavin, a gene-based therapy for Parkinson's disease in Phase I/II development. ProSavin makes use of the Company's proprietary LentiVector gene delivery technology. A further two anti-cancer programmes are in Phase II development: Hi-8 MEL, which is a therapeutic vaccine for melanoma; and MetXia, which is a gene-directed enzyme prodrug therapy for pancreatic cancer and other cancers that are accessible directly or via local perfusion. A fifth advanced product candidate, RetinoStat for the treatment of wet age-related macular degeneration, is expected to enter clinical development in 2009.

The Company has a further eight programmes in its early-stage development pipeline. These product candidates are progressing through preclinical development. The majority are gene-based therapies that utilise the Company's LentiVector technology. All of the programmes represent novel approaches for the treatment of diseases where there are inadequate or no current treatment options for patients.

PRODUCT CANDIDATES

TROVAX® (SANOFI-AVENTIS): CANCER

TroVax is a therapeutic vaccine that could have broad application in the treatment of cancer. The product is designed to stimulate a specific anti-cancer immune response against a protein called 5T4, which is broadly distributed throughout a wide range of solid tumours but is not found on any essential organs. TroVax consists of a Modified Vaccinia Ankara (MVA) virus, which delivers the gene for 5T4. Vaccinia viruses are widely used as delivery systems for antigen-specific vaccines, such as TroVax. MVA is the vaccinia virus strain of choice because of its excellent safety profile and its effectiveness in stimulating an immune response. Once the immune system is activated by TroVax, antibodies and killer T-cells can migrate round the body seeking out and destroying cancer cells bearing the tumour antigen, 5T4.

Oxford BioMedica secured an alliance with sanofi-aventis in March 2007 for the global development and commercialisation of TroVax for the treatment of all cancers.

TroVax has been evaluated successfully in eight Phase II trials and one Phase I/II trial in a total of over 190 patients, as a single agent or in combination with standard therapy in renal, colorectal and prostate cancer. Results from these trials have shown that the product is safe and well tolerated and have demonstrated that TroVax can be administered in combination with various other treatments. Over 90% of patients treated with TroVax in these studies mounted an anti-cancer immune response to the 5T4 antigen, and, in most of the studies, there was a correlation between the level

Advanced Development Candidates

PRODUCT	RESEARCH	PRECLIN.	PH I	PH II	PH III	PARTNER/FUNDING
TroVax [®]	Renal Cancer					sanofi-aventis
TroVax [®]	Colorectal Cancer					sanofi-aventis
TroVax [®]	Prostate Cancer					sanofi-aventis
Hi-8 [®] MEL	Melanoma					-
MetXia [®]	Pancreatic Cancer					-
ProSavin [®]	Parkinson's Disease					-
RetinoStat [®]	Retinopathy					Foundation Fighting Blindness

Early-stage Development Candidates

PRODUCT	INDICATION	PARTNER/FUNDING
StarGen [™]	Stargardt's Disease	Foundation Fighting Blindness
MoNuDin [®]	Motor Neuron Disease	ALS and MND Associations
SMN-1G	Spinal Muscular Atrophy	FightSMA
Innurex [®]	Spinal Cord Injury	Christopher Reeve Paralysis Foundation*
Requinate [®]	Haemophilia	UK Department of Health
ImmStat [®]	AIDS	-
EndoAngio-GT	Cancer	-
5T4-targeted antibody therapy	Cancer	Wyeth

* Christopher Reeve Paralysis Foundation has awarded a grant to Oxford BioMedica's collaborator King's College London

TroVax

Phase III Trial of TroVax in Renal Cancer adopted by UK clinical trial network



of the immune response elicited by TroVax and various measures of clinical benefit to patients. Final data from some of these trials will be reported in 2008 and another Phase II trial is ongoing in prostate cancer.

A Phase III trial of TroVax in renal cancer was initiated in November 2006 and two Phase III trials in colorectal cancer are expected to start in 2008. The renal cancer trial is designed to support initial product registration for TroVax in 2009. TroVax has attracted external support from Cancer Research UK and clinical trial networks in both the UK and the USA.

Worldwide cancer vaccine revenues are estimated to reach approximately US\$6 billion by 2010 (Arrowhead). Renal cell carcinoma (RCC), which is the focus of the first Phase III trial of TroVax, is the most common form of kidney cancer. The incidence of RCC in the seven major pharmaceutical markets, USA, Japan, Germany, France, UK, Italy and Spain, was estimated to total 86,900 in 2007 (Datamonitor). Prognosis is very poor. If RCC has metastasised to other organs at the time of first diagnosis, the five-year survival rate is less than 5%. In the USA and Europe, RCC accounts for more than 33,000 deaths each year. With ongoing development in renal, colorectal and prostate cancer, TroVax is addressing markets that currently exceed US\$8 billion based on annual sales of existing cancer treatments (Datamonitor).

PROSAVIN® PARKINSON'S DISEASE

ProSavin is a novel gene-based approach to the treatment of Parkinson's disease, a progressive movement disorder caused by the degeneration of dopamine producing nerve cells in the brain. The product uses our LentiVector system to deliver the genes for three enzymes that are required for

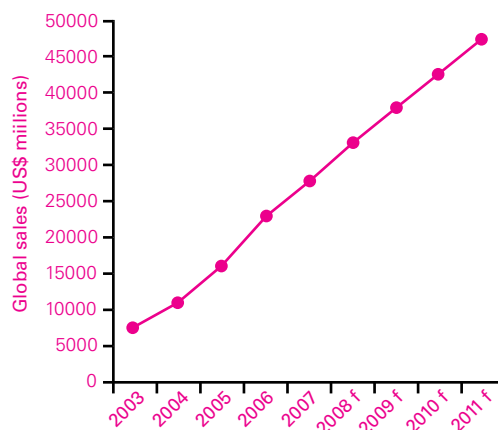
the synthesis of dopamine. The product is administered locally to the region of the brain called the striatum, converting cells into a replacement dopamine factory within the brain, thus replacing the patient's own lost source of the neurotransmitter.

Preclinical studies have shown that ProSavin appears safe, well tolerated and provides long-term efficacy in industry-standard models of Parkinson's disease. The most recent data show almost total recovery of movement behaviour in a model of the disease from about five weeks after a single administration of ProSavin through to the latest time point of over 27 months. This rapid and complete response to treatment and duration of action are rarely achieved by other treatments in this model.

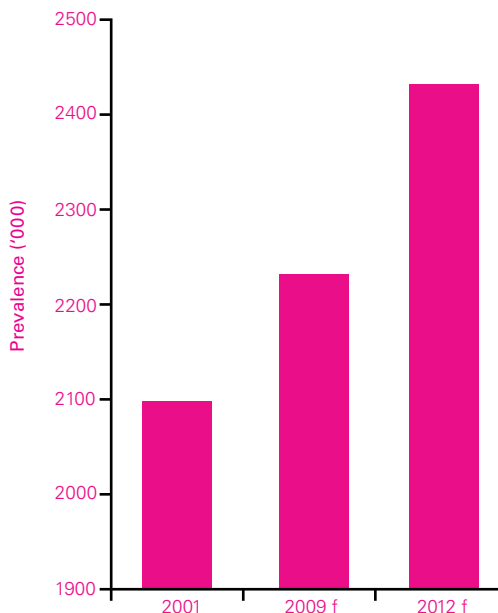
Oxford BioMedica has commenced a Phase I/II study of ProSavin at a centre of excellence for neurosurgery in France, the Henri Mondor Hospital. ProSavin is the first gene-based treatment for Parkinson's disease to be evaluated in a European clinical trial. The trial is designed to assess the safety and efficacy of ProSavin in patients with Parkinson's disease who are failing on current treatment with L-DOPA but have not progressed to experiencing drug-induced movement disorders called dyskinesias.

Parkinson's disease affects approximately 4.1 million people worldwide. In 2006, global sales of drugs for Parkinson's disease exceeded US\$3 billion (Visiongain, 2008). None of the current treatments provide long-term relief from symptoms and, as the prevalence of Parkinson's disease is set to rise significantly in the coming years owing to demographic changes, innovative clinical interventions are expected to play a major role in combating the unmet needs associated with the disease.

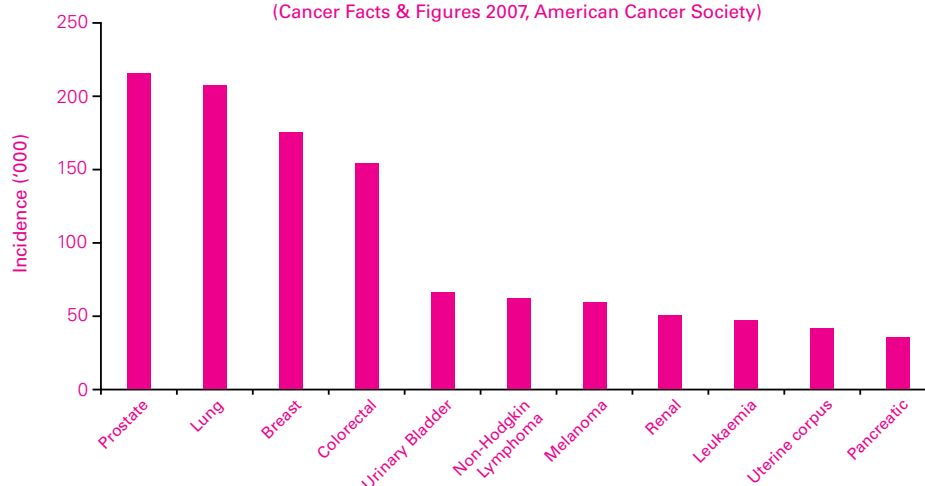
Global sales of innovative anti-cancer therapies (Business Insights, 2007)



Prevalence of Parkinson's disease across the seven major pharmaceutical markets (Business Insights, 2007)



Estimated new cases of cancer in the USA in 2007
(Cancer Facts & Figures 2007, American Cancer Society)



HI-8[®] MEL MELANOMA

Hi-8 MEL is a therapeutic vaccine for metastatic melanoma. The product makes use of two recombinant vectors: one based on plasmid DNA and the other based on a non-replicating Modified Vaccinia Ankara virus. Both vectors contain a DNA sequence called the Mel3 polyepitope string, which encodes seven defined immunogenic peptide sequences (antigenic epitopes) derived from five different proteins that are found on melanoma cells. Administration of the two recombinant vectors sequentially is designed to induce broad melanoma-specific killer T-cell responses by first priming and then boosting the immune system.

The product has been successfully evaluated in two clinical studies in a total of 55 patients. In a Phase II dose-selection study in 41 patients with non-resectable, stage III/IV melanoma that tested positive for the HLA-A2 histocompatibility antigen, melanoma-specific T-cell responses were seen in 91% of patients receiving the highest, optimal dose of Hi-8 MEL. In this trial, eight patients (20%) showed a period of disease control. Furthermore, median survival was significantly improved in immune responders versus non-responders. Oxford BioMedica is planning a follow-on Phase II study to confirm these promising results.

Melanoma comprises just 5% of all skin cancers but it is the most deadly. It is estimated that in 2006, more than 100,000 people were diagnosed with melanoma in the seven major pharmaceutical markets. High unmet needs still persist for this tumour type: existing treatments for Stage III/IV metastatic melanoma offer limited efficacy and often have serious side effects. The total treatment market for melanoma is forecast to be in excess of US\$775 million by 2010 (Datamonitor).

METXIA[®] PANCREATIC CANCER

MetXia is a cancer therapeutic that is based on Oxford BioMedica's platform for Gene-Directed Enzyme Prodrug Therapy (GDEPT). It is designed to enhance the effectiveness of cyclophosphamide, a widely used anti-cancer prodrug, specifically at the tumour site. The product is administered locally to the tumour site. MetXia uses a highly-engineered retrovirus gene delivery system to deliver a specific gene for human cytochrome P450, which activates the prodrug cyclophosphamide *in situ*. By increasing the effective concentration of the cytotoxic derivative of cyclophosphamide in the tumour mass, the need for systematic administration of high levels of the prodrug is reduced. This in turn should reduce the dose-limiting toxicity of the drug and expand the therapeutic window.

MetXia is potentially useful in the treatment of any solid tumour that is accessible either directly or via local perfusion. Two Phase I/II trials in patients with advanced breast cancer or melanoma have generated encouraging results and a two-stage Phase II trial in pancreatic cancer is ongoing. Preliminary results from this trial confirm that MetXia can deliver the P450 gene to the tumour site following intra-arterial administration.

Pancreatic cancer is the fifth leading cause of cancer-related mortality in the USA with over 30,000 deaths attributable to this disease annually. It is one of the most aggressive forms of cancer with a five-year survival rate in the low single percentage digits, which has created a critical need for novel treatment options. Annual sales of existing therapies for pancreatic cancer are approximately US\$600 million (Datamonitor).

Oxford BioMedica has also developed a cell-based GDEPT strategy, which similarly delivers the P450 gene. The product, MetXia-MG, has shown encouraging results in preclinical studies.

RETINOSTAT[®] RETINOPATHY

RetinoStat is the Company's novel gene-based treatment for neovascular age-related macular degeneration (AMD) and diabetic retinopathy (DR), which are caused by the aberrant growth of leaky and disruptive blood vessels in the retina. The product uses the LentiVector system to deliver two genes to the retina that block the formation of new blood vessels, a process called angiogenesis.

Preclinical studies have shown that a single administration of RetinoStat to the eye enables efficient delivery and long-term expression of the anti-angiogenic genes, endostatin and angiostatin, in the retina, and also achieves statistically significant efficacy in an industry-standard model of AMD. Additional studies are ongoing at the Johns Hopkins University School of Medicine in the USA in collaboration with a US charity, the Foundation Fighting Blindness. These studies are designed to support a regulatory submission for clinical trials in the USA or Europe.

AMD and DR are major causes of blindness, with AMD affecting an estimated 25 to 30 million people in the Western world. Neovascular AMD accounts for 90% of all severe vision loss from the disease. DR affects approximately 50% of all people diagnosed with diabetes. Existing treatments for the two conditions have to be administered to patients many times over many years by direct injection into the eye. RetinoStat has a potential competitive advantage over these treatments, as it would require only a single or infrequent

administration, and may also provide a safer and more efficient means of inhibiting angiogenesis. The current leading treatment, Lucentis® (Novartis) has generated annualised sales of approximately US\$1 billion following its launch in 2006.

ENDOANGIO-GT CANCER

In 2007, Oxford BioMedica initiated a new development programme for EndoAngio-GT, an anti-cancer gene therapy based on the anti-angiogenic genes, endostatin and angiostatin. The rationale is that the product will limit tumour vasculature and prevent the formation of new blood vessels at tumour sites, inhibiting the growth and spread of the tumours. The EndoAngio-GT programme is expected to benefit from development and manufacturing synergies with the RetinoStat programme, as the product utilises the same therapeutic genes.

The product could have broad application as a treatment for solid cancers. Current anti-angiogenic therapies for cancer have been successfully developed in various types, including colorectal cancer and lung cancer. The market leader in this field is Avastin® (Genentech), which generates annualised sales in excess of US\$4 billion.

5T4-TARGETED ANTIBODY THERAPY (WYETH): CANCER

Wyeth has licensed the rights to Oxford BioMedica's proprietary antibody against the 5T4 tumour antigen for use in the treatment of cancer. Wyeth is developing a targeted antibody therapy using our monoclonal antibody linked to a potent anti-cancer agent calicheamicin. Preclinical development of the 5T4-targeted antibody therapy is ongoing and, if warranted, initial clinical trials are expected

to be carried out in patients with any solid tumours that express the 5T4 tumour antigen. In preclinical studies, the product has shown improved survival in standard models of cancer.

The collaboration with Wyeth is worth US\$24 million in upfront and milestone payments, plus royalties on product sales. The collaboration was signed in 2001 as an option to license and, in 2003, Wyeth exercised its option to develop the product.

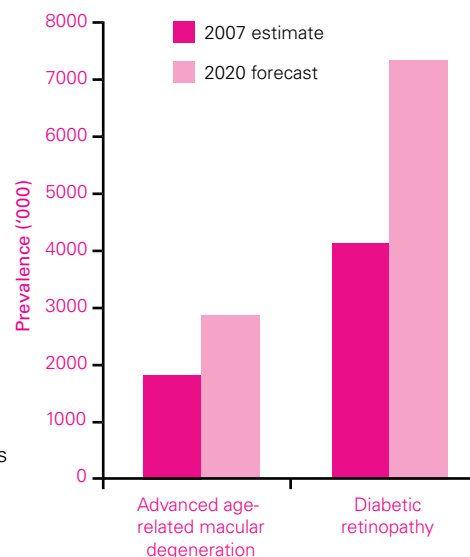
The 5T4-targeted antibody could be developed to treat any solid cancer that expresses the 5T4 tumour antigen, which represents a multi-billion US Dollar market. Based on the product's profile, it could have application as a single agent or could be used in combination with other treatments. Wyeth is responsible for the development and commercialisation of the product.

STARGEN™ STARGARDT'S DISEASE

StarGen is a novel gene-based therapy for the treatment of Stargardt's disease. The disease is caused by a mutation of the ABCR gene which leads to the degeneration of photoreceptors in the retina and vision loss. StarGen uses the Company's LentiVector system to deliver a corrected version of the ABCR gene. It is administered directly to the retina.

StarGen has shown preclinical efficacy in the only available model of Stargardt's disease. A single administration was effective for the duration of the six-month study. Further preclinical development is ongoing at Columbia University in the USA, in collaboration with the Foundation Fighting Blindness (FFB) and FFB's support organisation, the National Neurovision Research Institute.

Prevalence of eye diseases in US adults aged 40 and over
(Archives of Ophthalmology 122(4):444-676; Centers of Disease Control and Prevention)



Stargardt's disease is the most common juvenile degenerative retinal disease with a US and EU population of approximately 50,000 cases and an incidence of 1/10,000 (600 new cases per year). There is no current treatment for patients but, based on prevalence, the commercial market could exceed US\$75 million. Additional opportunities also exist in cone-rod dystrophy and the dry form of AMD, where the same mutant gene plays a role. These indications would significantly expand the commercial market for StarGen.

OTHER EARLY-STAGE CANDIDATES

Oxford BioMedica has several other early-stage development programmes that exploit the broad application of its proprietary LentiVector technology. In addition to the ophthalmic products, RetinoStat and StarGen, Oxford BioMedica has preclinical programmes in motor neuron disease, spinal muscular atrophy, spinal cord injury, haemophilia and AIDS.

The Company has attracted support from disease-focused charitable organisations or governments for the majority of these programmes. These groups have provided direct funding of preclinical studies or grants to the Company, which reduce the financial burden on Oxford BioMedica and enables us to pursue a broader number of opportunities.

M&A

Acquisition of Oxxon Therapeutics for
£16 million in shares



TECHNOLOGY

Oxford BioMedica has established a broad platform of proprietary technologies in immunotherapy and gene delivery. Our various technologies can be used to develop gene-based therapeutic products but the gene delivery systems also have utility in research for disease modelling and target validation.

LENTIVECTOR®

Oxford BioMedica's LentiVector technology represents one of the most advanced gene delivery systems currently available. Licensed users include Biogen Idec, GlaxoSmithKline, Merck & Co and Pfizer. The Company also has a strategic alliance with Sigma-Aldrich to develop and commercialise LentiVector-based reagents for the research market. Oxford BioMedica has recently secured exclusive rights to develop novel therapies using its LentiVector technology for turning off gene expression (gene silencing) through RNA interference, which provides a new opportunity for both internal and also collaborative drug development.

The LentiVector system used for therapeutic applications derives from a highly engineered non-human, non-pathogenic lentivirus. It is designed to achieve safe and long-term gene transfer to a broad range of dividing and non-dividing cell types, including neurons and retinal cells, in a stable and efficient fashion. The Company has shown in preclinical studies that gene expression using the LentiVector technology can be maintained for more than 27 months. To date, Oxford BioMedica has not identified any situation where expression has ceased during the course of an experiment.

IMMUNOTHERAPY

The acquisition of Oxxon Therapeutics in March 2007 strengthened Oxford BioMedica's proprietary technology in the field of immunotherapy. The Hi-8® PrimeBoost technology is a pioneering method for producing a potent and specific T-cell immune response against diseased cells. The technology can be used in therapeutic vaccine strategies for the treatment of both cancer and infectious diseases. The approach is based on the sequential administration of an antigen in different vaccine vectors; the first to "prime" and the second to "boost" the immune response (known as heterologous boosting).

GENE-DIRECTED ENZYME PRODRUG THERAPY

Oxford BioMedica has proprietary technology for Gene-Directed Enzyme Prodrug Therapy (GDEPT) approaches for cancer. GDEPT is based on a two-step strategy. Firstly, a vector is used to deliver a prodrug-activating enzyme to tumour cells where it is expressed. This is followed by the administration of an otherwise non-toxic (or minimally toxic) prodrug, which is converted to its active, toxic metabolite by the enzyme within the tumour, thus killing the tumour cells. The technology could be applied to treat any solid tumour that is accessible either directly or via local perfusion.