

CHAIRMAN'S REPORT

The year 2005 was a breakthrough for Oxford BioMedica. The Company achieved a number of 'firsts'. These included: first Phase II results with TroVax® in renal cell carcinoma; first Phase II results of TroVax in the adjuvant setting of colorectal cancer; first discussions with the FDA regarding Phase III development of TroVax; first Phase II results of MetXia® in pancreatic cancer; first preclinical efficacy data from the Company's partner Wyeth for the targeted antibody cancer therapy; and first strategic alliance to develop and commercialise LentiVector®-based systems.

During 2005, the Company also reported further encouraging results from the Phase II trials of TroVax in colorectal cancer, more preclinical proof of principle data from the neurotherapy portfolio and licensing agreements for the LentiVector technology with Pfizer and two leading biopharmaceutical companies.

I am pleased to announce that we have achieved this development progress while also maintaining firm financial control. Total operating expenses were £1.2 million lower than 2004. As a result of higher tax credit receipts, the cash burn (total of net cash used in operating activities and capital expenditure) for 2005 was £2.0 million less than 2004 at £7.7 million (2004: £9.7 million). In December 2005, we were delighted that new and existing investors supported a successful share offering, which raised £30.1 million before expenses including an investment of £2.9 million by Sigma-Aldrich. The Directors believe that the Company's cash and bank deposits at the end of 2005 of £43.8 million provide the financial strength to deliver on our objectives to add further value to the pipeline and to secure the anticipated commercial collaborations for our lead products.

This year's Annual Report adopts recommendations of best practice from the UK Accounting Standards Board for an Operating and Financial Review (OFR). The OFR is designed to provide shareholders with a balanced and comprehensive analysis of our business activities, including corporate and financial strategy, prospects, opportunities, risks and corporate social responsibility.

As in previous years, we have provided a review of events during the year and post year end. The operating review also

includes an analysis of the therapeutic markets addressed by our core pipeline, factors affecting the development and commercialisation of our products, and for each product and business activity, it sets out our key highlights from 2005 and key objectives for the year ahead, as well as describing the major risks in achieving these goals. In this and future reports we will assess the Company's performance against our goals for the year and the Company's working practices in relation to our corporate social responsibility. Hence, shareholders and other stakeholders will be able to assess the progress and practices of the Company with greater clarity.

It should be noted that future events may cause the Company to adjust its strategic objectives and priorities. For any organisation with a broad and commercially relevant patent estate, there is the risk that patents are proved to be invalid or are unenforceable and patents may be challenged through opposition or revocation proceedings. In drug development, there are inherent risks. In any development programme, data from preclinical or clinical studies may be inconclusive and may reveal previously unforeseen adverse events, and regulatory authorities may reject submissions or request additional information. Such events could delay or halt further development of the Company's product candidates.

In addition, the Company's commercial partners and licensees may delay their development efforts and may terminate their collaboration or license agreement with Oxford BioMedica for reasons unrelated to the product or technology. Similarly, the timing of certain events such as the completion of manufacturing scale-up, recruitment into clinical trials, regulatory interactions and the signing of corporate collaborations are difficult to predict. Furthermore, the Company may identify new technologies and product opportunities for development and commercialisation. However, statements relating to future events and objectives are set out in good faith and represent the Board's realistic expectations based on current knowledge.

Also, the financial report for 2005 is the Company's first report to be prepared in accordance with International Financial Reporting Standards (IFRS).

I am grateful to all those that have supported and contributed to Oxford BioMedica during the year. We welcome our eight new staff who joined during the year, in particular, Dr Mike McDonald, who was appointed in September 2005 to the new position of Chief Medical Officer. Mike brings considerable experience in clinical development and regulatory affairs from 20 years in the pharmaceutical and biotechnology industry and has already made a significant contribution to the progress of TroVax. In February 2006, Mike joined the Board as an Executive Director. I would also like to thank Raj Uppal, one of our Non-Executive Directors, who resigned from the Board on 13 March 2006. Raj has made a valuable contribution to the Board and has been an excellent source of advice over the years, having joined the Board in February 2001.

I would also like to recognise the support and commitment shown to Oxford BioMedica by our partners. In particular during 2005, I would like to thank our new strategic alliance partner, Sigma-Aldrich, and our three new technology licensees, Pfizer and two leading biopharmaceutical companies, and I would like to congratulate Wyeth on its progress with the targeted antibody therapy. Also, as ever, I want to thank our dedicated staff for their efforts during the year, without whom we would not be able to report such significant achievements.



Dr Peter Johnson
CHAIRMAN

