

**LIPOXEN PLC  
("Lipoxen" or "the Company")**

**Development and Manufacturing Agreement with the Serum Institute of India Limited**

London, UK, 3<sup>rd</sup> August 2006 - Lipoxen PLC (AIM: LPX), a biopharmaceutical company specialising in the development of differentiated biologicals, vaccines and oncology drugs, today announced that it has entered into a Development and Manufacturing Agreement ("DMA") with the Serum Institute of India Limited ("SIIL").

Pursuant to the DMA, SIIL will develop the technology for the manufacture of polysialic acid ("PSA") and its derivatives to the US Food and Drug Administration ("FDA") standards on a commercial scale to meet the demands of the Company's collaborative partners and for pre-clinical and clinical trials purposes.

While the Company has made considerable progress in its pre-clinical lab scale programmes, it does not have the infrastructure or financial capacity to initiate a commercial-scale FDA compliant manufacturing facility. Pursuant to the DMA, SIIL will provide Lipoxen with a unique source of polysialic acid (biopolymer) according to Good Manufacturing Practices ("GMP") standards and customized to Lipoxen's specifications which will allow clinical development of Lipoxen's protein drug pipeline and continuous supply of the biopolymer to the Company's current and future collaborative partners.

SIIL is widely recognised as a world-class contract manufacturer and is able to deliver a wide range of products and clinical assistance to the Company on a market competitive basis. In particular, SIIL has developed a complete process of fermentation, purification and manufacture of PSA and the DMA provides the framework for this process to be taken forward to enable production on a competitive commercial basis.

The terms of the DMA require the Company to make a single capital payment against which SIIL has contracted to establish a fully functional FDA-compliant PSA production facility in early 2007 in order to supply suitable quantities of PSA both to the Company (in support of its ongoing pre-clinical programmes) and to the Company's collaborative partners as certain product candidates move to the clinical trials stage. Provision has also been made for the Company to receive royalty payments from SIIL under certain circumstances. The DMA further provides for compensation to be payable to the Company in the unlikely case of SIIL failing to meet its basic obligations under the agreement. The term of the DMA runs in parallel with that of a licensing agreement dated 16 December 2004 (as amended on 11 October 2005) between SIIL and Lipoxen Technologies Limited (the wholly owned subsidiary of the Company) being for, effectively, an indefinite term.

Accordingly, the DMA lies at the heart of the Company's strategy to bring its (and its collaborative partners') product candidates to market at the earliest date and the further collaboration with this globally leading producer is considered pivotal to achieving that goal. The DMA establishes SIIL as the Company's key contract manufacturing partner and represents a substantial milestone in the continuing development of PolyXen®, Lipoxen's patented protein drug-delivery technology.

**Enquiries**

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**Notes to Editor**

Lipoxen PLC (AIM: LPX) is a biopharmaceutical company specialising in the development of high value differentiated biologicals, vaccines and oncology drugs. Potential products, which address markets in excess of US\$1 billion, currently under development include improved formulations of important biologicals including EPO, G-CSF, insulin and Interferon-alpha based on Lipoxen's proprietary PolyXen® technology. This technology is designed to improve the stability, biological half-life and immunologic characteristics of therapeutic proteins naturally. Lipoxen has two further naturally-derived proprietary delivery technologies ImuXen® and a related liposomal technology for the formulation of cytotoxic oncology drugs, which are being developed to enhance the efficacy and safety of various vaccines such as Hepatitis B and pneumococcal vaccines, as well as a number of anti-cancer agents like paclitaxel. The Company's proprietary delivery technologies are attracting significant interest and Lipoxen is already co-developing products with Serum Institute of India, one of the world's leading vaccine companies. In addition, its technologies are being currently evaluated by leading biotechnology companies such as Baxter, Amgen, Genzyme and Genentech.

Lipoxen was admitted to trading on the AIM Market of the London Stock Exchange in January 2006.

This announcement includes 'forward-looking statements' which include all statements other than statements of historical facts, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company's products and services), and any statements preceded by, followed by or that include forward-looking terminology such as the words 'targets', 'believes', 'estimates', 'expects', 'aims', 'intends', 'will', 'can', 'may', 'anticipates', 'would', 'should', 'could' or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business.