



PRESS RELEASE

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POWDERMED LAUNCHED IN SPIN OUT OF POWDER INJECTION DNA VACCINE PROGRAMMES FROM CHIRON VACCINES

PowderMed closes £20 million (\$34.5 million; €30 million) financing and enhances deal with Glaxo SmithKline

Oxford, UK, 17 May 2004 – PowderMed Ltd (PowderMed), a new company focussing on the development of therapeutic DNA vaccines, was officially launched today. The Company has been created through a spin out of the powder injection DNA Vaccines technology from Chiron Vaccines, a business unit of Chiron Corporation (NASDAQ: CHIR), backed by £20 million (\$34.5 million; €30 million) in venture capital from a syndicate of leading life science investors. Simultaneous with launch, PowderMed has announced that it has enhanced a deal with GlaxoSmithKline (GSK) under which GSK will gain additional licences to the PowderJect[®] powder injection technology in the field of oncology and PowderMed will acquire two former GSK DNA vaccine programmes that are based on this technology. PowderMed also announces that five new therapeutic vaccines, each using the proprietary PowderJect[®] DNA powder injection technology, would progress into clinical development within the next two years.

Dr Clive Dix, CEO of PowderMed and the former head of PowderJect's R&D, led the spin out. PowderMed's new shareholders include Schroder Ventures Life Sciences, Advent Venture Partners, Abingworth Management Ltd. and Oxford Bioscience Partners, with Chiron Vaccines retaining a minority equity stake. As part of the spin out, PowderMed has acquired all rights to vaccine applications of the PowderJect[®] technology and the related therapeutic DNA vaccine programmes. The Company will occupy purpose designed development facilities in Oxford UK, which it takes over from Chiron Vaccines.

Initially, PowderMed will focus on applying its PowderJect technology to the development of therapeutic DNA vaccines. Therapeutic vaccines are a new class of product, which harness the immune system in order to produce a therapeutic effect. PowderMed's lead preclinical programmes are all based on its proprietary PowderJect technology and are focused on the treatment of chronic viral diseases and cancer, namely genital herpes, hepatitis B, genital warts, HIV/AIDS and lung cancer.

Launching the Company, Dr Dix said:

"PowderMed's technology is clinically validated and provides a unique ability to use the immune system to treat chronic diseases. Using this pioneering technology, we will be developing an exciting pipeline of therapeutic DNA vaccines. PowderMed with it's experienced development team starts its life well placed to become the leading therapeutic DNA vaccine company in the world."

Commenting on behalf of the investors, Tom Daniel, General Partner with Schroder Ventures Life Sciences said:

“PowderMed enjoys many attractive qualities from its inception, including a broad pipeline of advanced therapeutic programmes, an experienced management team who’ve worked together on these programmes for years, and an excellent industrial partner in GSK. We are delighted to be backing the business and to be doing so in the company of a great syndicate of investors.”

Commenting on the agreement, John Lambert, President of Chiron Vaccines, said:

“We believe that powder injection has great potential as a novel vaccine delivery technique, Although the technology platform does not fit with Chiron Vaccines’ R&D pipeline, we are pleased that its development will continue under the stewardship of PowderMed, with its experienced management team and first class financial backers.”

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NOTES FOR EDITORS

1. About PowderMed Ltd – www.powdermed.com

PowderMed Ltd, a leader in the development of therapeutic DNA vaccines, based in Oxford, United Kingdom, has been created through a spin out of the PowderJect therapeutic DNA vaccine programmes, previously owned by Chiron Vaccines. The Company has the rights to the PowderJect[®] DNA powder mediated epidermal delivery (PMED) technology which it plans to use, in the first instance, in the development of therapeutic vaccines in the areas of chronic viral diseases and cancer. PowderMed has five preclinical lead programmes targeting genital herpes, hepatitis B, genital warts, HIV/AIDS (partnered with GSK) and lung cancer (partnered with Ludwig Institute for Cancer Research).

The Company is backed by £20 million of private finance, with Chiron Vaccines retaining a minority equity stake in the new company. With the research phase of the DNA vaccines programmes complete, all PowderMed projects will be based in the former PowderJect development laboratories in Oxford, UK. As part of the transaction Chiron Vaccines will transfer the lease on the Oxford facilities to PowderMed as well as a number of scientists located at the site. The Company employs 30+ people.

PowderMed has secured its first deal with GlaxoSmithKline (GSK) based on an exchange of intellectual property. In addition the partnership with the Ludwig Institute for Cancer Research for lung cancer has been transferred to PowderMed.

2. PowderJect[®] DNA powder mediated epidermal delivery (PMED) technology

Using the PowderJect device, DNA precipitated onto microscopic gold particles, is propelled by pressurised helium gas at near supersonic speeds into the epidermis. The microscopic gold particles (mean particle diameter 1 - 3 microns) are used as the carrier because they have the appropriate size and density needed to deliver the DNA directly into the immunologically active antigen presenting cells (APCs) of the epidermis. These cells have a mean diameter 20 microns and thus the microscopic gold can easily enter the cell. Studies have shown that once inside the nuclei of APCs, the DNA elutes off the gold and becomes transcriptionally active, producing the encoded protein that when presented by the APCs to lymphocytes, triggers strong T-cell mediated immune responses. It is this ability of PMED to produce a robust and reproducible T-cell mediated immune response to a broad range of viral and cancer antigens, that provides PowderMed with its unique competitive advantage in the field of therapeutic vaccines.

3. Therapeutic vaccines

Therapeutic vaccines are a new class of product, which harness the immune system in order to produce a therapeutic effect. The PowderJect technology has previously been tested in the clinic

as a vaccine for prophylaxis against Hepatitis B but will be used by PowderMed in the development of therapeutic vaccines for chronic viral diseases and cancer.

4. Pipeline and Partnered Programmes

The five PowderJect[®] DNA based projects due to enter the clinic within the next two years are:

- **Genital Herpes** (HSV) for which Chiron Vaccines has retained an option for commercial rights in the US.
- **Chronic Hepatitis B** (HBV) which has been acquired by PowderMed from GSK.
- **Genital Warts** (HPV) which has been acquired by PowderMed from GSK.
- **Lung Cancer** (NY-ESO-1) which is partnered with the Ludwig Institute for Cancer Research.
- **AIDS** (HIV) partnered with Glaxo SmithKline

The company will be seeking further development and commercialisation partnerships particularly in the fields of virology, oncology and allergy.

5. Advisers

PowderMed were advised by Hale & Dorr and Deloitte and Touche Corporate Finance
The investor syndicate was advised by SJ Berwin and Palmer and Dodge.