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**Nucleonics And Novosom Collaborate to Apply Novosom's SMARTICLES®
Delivery Technology to Nucleonics' eiRNA Approach to
Hepatitis B and C Therapeutics**

HORSHAM, PA (August 17, 2004): Nucleonics, Inc., a biotechnology company focused on the development of novel expressed RNA interference-based (eiRNA) therapeutics, and Novosom AG, a German-based drug delivery company, today announced that they have entered into a collaboration and commercial option agreement. The two companies will evaluate Novosom's SMARTICLES® formulation technology for the delivery of Nucleonics' eiRNA lead candidates for Hepatitis B and Hepatitis C. In addition, Nucleonics has taken an option to exclusively license and commercialize Novosom's delivery technology for Nucleonics' eiRNA therapeutics for these indications. Financial terms of the agreement were not disclosed.

“Delivering DNA to cells presents a considerable challenge, and Novosom has demonstrated that they can deliver DNA and other nucleic acids to liver cells with great efficiency,” said Dr. C. Satishchandran, Nucleonics' co-founder and senior vice president, research and development. “We have already developed one system for delivering eiRNA therapeutics to the liver that we are currently employing with our lead Hepatitis B therapeutic candidate, now being readied for clinical studies. At the same time, we are continuing to evaluate potentially even more efficient technologies like Novosom's for possible use as next-generation delivery vehicles for our eiRNA therapeutics. We are excited with the possibilities that Novosom's delivery technologies have to offer, increasing the breadth of Nucleonics' abilities and potential.”

Novosom's liposomal formulations, termed SMARTICLES®, are charge-reversible particles that enable the targeted delivery of oligonucleotides, plasmids and other materials directly into living cells. SMARTICLES® are stable in blood and distribute in the same manner as conventional liposomes. In contrast to conventional liposomes, however, SMARTICLES® become positively charged when they cross cell membranes, leading to effective delivery of their cargo within cells. The liver and spleen, along with sites of inflammation and tumors are primary targets for the SMARTICLES®.

“We are very pleased to be working with Nucleonics on the delivery of their eiRNA therapeutics, which have the potential to offer therapeutic breakthroughs for chronic viral infections and other serious diseases including those related to gene dysfunction. We are also pleased to further demonstrate the value that SMARTICLES[®] offer for the delivery of plasmids, as well as other difficult to deliver substances, directly into targeted tissues. This cooperation with Nucleonics represents a major step forward in meeting our key objective, the generation of therapeutic delivery systems for antisense and RNAi” said Steffen Panzner, CEO of Novosom, AG. “In particular, Nucleonics’ strong expertise in the clinical development of nucleic acid based drugs will put our SMARTICLES[®] on a fast track to therapeutic applications.”

About Expressed Interfering RNA (eiRNA)

Post-transcriptional gene silencing, also known as RNA interference or RNAi, is a phenomenon in which genes are silenced in a sequence-specific manner through targeted mRNA (messenger RNA) degradation. Researchers believe RNAi may offer potential as a novel way to silence genes involved in disease, including genes encoded by viruses such as Hepatitis B, Hepatitis C and HIV, as well as genes involved in the establishment of inflammatory diseases and cancer.

Nucleonics employs an expressed interfering RNA (eiRNA) approach, whereby scientists insert plasmid DNA coding for relevant double-stranded RNA (dsRNA) into targeted cells, letting the cells produce and deliver specific dsRNA sequences. Cellular mechanisms then cleave the dsRNA into specifically encoded siRNAs (short interfering RNA), which silence the targeted genes. Nucleonics’ researchers have shown the ability of long or short dsRNA strands produced in this way to stably silence genes, including Hepatitis B and HIV, in relevant cell lines. Moreover, they have silenced multiple genes, as well as HBV replication, in adult mice, without triggering an interferon response. The plasmid DNA approach used by Nucleonics for expression of dsRNA has demonstrated human safety in over 500 patients to date, as part of research in the field of DNA-based vaccines. Nucleonics is initially directing its technology to the development of eiRNA therapeutics for Hepatitis B virus and Hepatitis C virus infections.

About Novosom AG

Novosom is a drug delivery company that has developed a unique platform technology for the effective and efficient intracellular delivery of oligonucleotides, plasmids and other materials into living cells. Novosom’s patented SMARTICLES[®] are capable of encapsulating large quantities of cargo, remain stable under physiological conditions, and then effectively deliver their payload to targeted delivery sites. Founded in 1999 by Dr. Steffen Panzner, an expert on the transport of protein molecules through the cell membrane, Novosom collaborates with a number of leading pharmaceutical companies to develop highly effective delivery vehicles for various drug molecules, such as eiRNA, siRNA and antisense. Novosom is also active in the development of sustained release formulations for therapeutic proteins. Additional information about Novosom is available at www.Novosom.com.

About Nucleonics, Inc.

Nucleonics, founded in January 2001, is an emerging biotechnology company focused on the development of novel RNA interference-based therapeutics for viral and other diseases. Nucleonics is headquartered in Horsham, Pennsylvania and is privately owned.