



BIOFUSION PLC
("Biofusion" or "the Company")

Phoqus Pharmaceuticals Announces Positive Results from a Phase II Study incorporating Diurnal's endocrine Intellectual property

Biofusion plc (AIM: BFN), the university IP commercialisation company that turns world class research into business, is today pleased to note that Phoqus Pharmaceuticals plc ("Phoqus"), the speciality pharmaceutical company that is working in collaboration with Biofusion's subsidiary company Diurnal Limited ("Diurnal"), the Sheffield-based drug development company, has announced positive results from a Phase II study of its Novel Cortisol Replacement Therapy, Chronocort® in Congenital Adrenal Hyperplasia.

Some of the underlying intellectual property supporting the Chronocort® product is licensed from Diurnal Limited, a spin-out from the University of Sheffield, founded by Professor Richard Ross in which Biofusion has a 60% shareholding. Phoqus and Diurnal collaborate on certain aspects of Chronocort's® development.

The press release issued yesterday by Phoqus Group plc follows in full below:

West Malling, UK, 3 March 2008: Phoqus Pharmaceuticals plc (AIM: PQS) ("Phoqus Pharmaceuticals" or "Company"), the speciality pharmaceutical company, today announces positive results from a Phase II study evaluating its delayed, sustained release hydrocortisone therapy Chronocort®, in patients with Congenital Adrenal Hyperplasia ("CAH"). CAH is a genetic enzyme disorder characterised by deficiency of the hormone cortisol and excess production of androgens (male sex hormones). Raised androgens, together with a lack of cortisol, are responsible for the majority of symptoms such as fatigue, infertility, hirsutism and obesity.

In healthy subjects, cortisol is produced in a distinct circadian rhythm: building over night, peaking early in the morning and declining throughout the day to its lowest point around midnight. CAH patients lack the enzyme to convert 17-Hydroxyprogesterone ("17-OHP") into cortisol. In the absence of cortisol, which acts as a brake to 17-OHP production, 17-OHP and other androgens accumulate. 17-OHP levels are used to adjust the dose of steroid replacement but with conventional therapy it is very difficult to replicate the natural circadian rhythm and to get the balance right between under and over treatment. This leaves patients at chronic risk of steroid excess which may lead to obesity, high blood pressure, diabetes and osteoporosis.

The Phase II trial, which was conducted at the National Institutes of Health in Bethesda, Maryland, showed that treatment with Chronocort® gave an overnight cortisol profile much closer to the normal physiological profile than conventional immediate release hydrocortisone. In addition, the majority of patients had lower morning levels of 17-OHP when treated with Chronocort® compared with conventional therapy.

Fourteen patients with CAH received a 7 day run-in period of immediate release hydrocortisone given three times a day. They then switched to a single dose of Chronocort® at 10.00pm for 28 days. A 24 hour pharmacokinetic ("PK") profile was performed at the end of each treatment period. The primary endpoint was the 24 hour cortisol profiles which, during the Chronocort® treatment period, more closely matched the overnight physiological pattern than with conventional immediate release treatment. An important secondary endpoint (and key pharmacodynamic measure) was the morning 17-OHP level which showed reduced mean levels with Chronocort® compared with conventional treatment. These results give confidence that Chronocort® has performed as designed and allow the design of an appropriate dosing regimen for a Phase III pivotal trial. The Company is now preparing to discuss such a trial with regulatory authorities. The data will be submitted for publication in a peer reviewed journal in due course.

Chronocort® was well tolerated with no serious adverse events.

Phoqus Pharmaceuticals' Chief Executive Officer, Richard Mason said:

"These successful clinical trial results are extremely important as they demonstrate for the first time the potential important clinical benefit that Chronocort may provide to patients with Congenital Adrenal Hyperplasia, with potentially greater control of adrenal androgen secretion through more physiological cortisol replacement. Following discussions with regulatory agencies we will plan a Phase III pivotal trial in this indication which will be undertaken in the EU and US. All being well, we aim to file for marketing authorisation in Europe and the US in 2009. We believe Chronocort has broad relevance to patients with cortisol deficiency or insufficiency, including sufferers of CAH and Addison's Disease."

"This is a significant value-driving event for Phoqus Pharmaceuticals. We are exploring a range of commercialisation options, including entering into relationships with pharmaceutical and biotechnology companies, to bring Chronocort to the market. These results are also a landmark for Phoqus Pharmaceuticals' Qtrol drug delivery technology platform, demonstrating its ability to achieve challenging drug release profiles in order to enhance drug effectiveness in patients."

Phoqus Pharmaceuticals believes that Chronocort® has the potential to be a commercially important orphan drug, with peak sales potentially in excess of \$200m. Chronocort® has Orphan Drug Designation for both CAH and acquired causes of adrenal insufficiency in Europe. Phoqus is applying for the same in the US. Such orphan status grants the Company, on product approval, 10 and 7 years of market exclusivity in the EU and US respectively.

Note: No endorsement of any organization, product or service mentioned here is intended by the National Institutes of Health or its employees or should be inferred.

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About Biofusion

Biofusion was established in 2002 to commercialise university-generated IP. Biofusion has signed long-term agreements with two of the UK's top ten research intensive universities (University of Sheffield and Cardiff University) giving a combined R&D spend attributable to Biofusion of approximately £114 million a year.

Biofusion's first agreement was a ten-year exclusive arrangement with the University of Sheffield for the commercialisation of IP owned by the University in the area of medical life sciences. Biofusion has shareholdings in a portfolio of Sheffield University spin-out companies including Asterion, Axordia, Biohydrogen, Lifestyle Choices, Diurnal and Phase Focus. The University of Sheffield was ranked 5th in the UK for the quality of its life sciences research and will be spending an estimated £0.5bn of research funding over the lifetime over the life of the Sheffield Agreement.

In January 2007, Biofusion completed a long-term exclusive agreement with Cardiff University, to commercialise 100% of all Cardiff University's research-generated IP. Biofusion has shareholdings in a portfolio of Cardiff University spin-out companies including Abcellute, Q-Chip and Morvus. Cardiff University was ranked 7th in the UK in the most recent research rankings and

will be spending more than £1.0bn of research funding over the lifetime over the life of the Cardiff Agreement.

About Diurnal

Founded in November 2004, Diurnal is focused on developing physiological endocrine replacement therapy to optimise efficacy. Its first programme has led to intellectual property covering the delivery of hydrocortisone in a manner that mimics the normal physiological circadian rhythm of cortisol. This clearly defined rhythm, with high levels in the morning and low levels at night, is lost in patients with adrenal insufficiency and congenital adrenal hyperplasia. Current therapies cannot adequately control the condition, so the Diurnal management team believes that this product should offer a much needed improvement in treatment for patients.

Chronocort is being developed by Phoqus, an emerging UK speciality pharmaceutical company, which has an exclusive licence to the 'delayed and sustained release therapy' patent. In 2005 Professor Richard Ross, founding Director of Diurnal received Orphan Medicinal Product designation for this product from the European Medicines Agency, which affords 10 years of market exclusivity after the grant of a marketing authorisation in Europe. The product has now successfully completed Phase 2 clinical studies.

Diurnal has a pipeline of programs addressing the unmet needs of endocrine patients using physiological hormone replacement.