PHYSIOMICS
rational therapeutics

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Physiomics Plc

("Physiomics" or "the Company")

Interim Results Statement
for the six month period ended 31 December 2012

Oxford, UK, 8 February 2013: The Board of Physiomics Plc (AIM: PYC), a UK-based systems biology company, today announces its financial results for the six months ended 31 December 2012. Physiomics Plc is a computational systems biology services company, applying simulations supporting pharmaceutical decision making throughout the entire drug discovery process, particularly for cancer therapies.

Summary financial results

- Turnover increased to £52,000 (2011 H1: £34,000)
- Operating loss decreased to £307,685 (2011 H1: £328,674)
- Shareholders' funds £445,246 as at 31 December 2012 (31 December 2011: £449,647)

Operational highlights

Investment in the period was focused on building and advancing the client base towards longer-term relationships, developing the clinical version of Virtual Tumour and developing two new products: Highlights in the period included:

- Signing a "top five" global pharma client, the third and largest such client to date.
- Strengthening the team with David Jobes joining as US business development consultant and Dr Hitesh Mistry joining from AstraZeneca as a Senior Scientist.
- Holding significant discussions with large pharma clients about licensing technology and/or entering into a long-term contractual arrangement.
- Signing up for R&D tax accreditation in France to facilitate business there.
- Two new products progressing well, both of which will be launched in 2013;
    - DrugCARD database

    - Cardiac toxicity prediction service

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- Positive discussions on collaboration with a large pharma company to supply the calibration data for Virtual Tumour Clinical.
- Signing a £4m Standby Equity Distribution Agreement (SEDA) with Yorkville LLC, strengthening the position of the company for future growth and acquisition.

Chairman and CEO's statement

Introduction

The Company has been working closely with the drug discovery and development groups in a number of major pharma companies to demonstrate that our Virtual Tumour model can both add value and reduce cost and time in the development process. We have completed a number of validation projects encouraging companies to explore more closely the concept and potential of Virtual Tumour Clinical. We are certain that this model, when calibrated, presents a considerable opportunity to enhance the development process and customers are keen to see the new model as part of producing an holistic modelling approach to facilitate the development process.

While the Directors believe that the Company is increasingly able to deliver more stable business from its existing platform, arising from the validation projects completed to date, significant growth is likely to come from extending its offerings into the much larger clinical market. Data from Virtual Tumour will guide pre-clinical research which, in turn, will lead to research that provides the data sets required to prime Virtual Tumour Clinical and ultimately to the rational design of clinical trials. This, combined with our other service offerings such as cardio toxicity, represents an holistic approach to drug development.

Although the Company is yet to deliver significant sales growth, this is largely because the customers engaged to date have performed small pilot studies to test the scope and power of our technology. This typically takes some time to set up and evaluate before the customer is ready to apply the technology across a number of programmes. The Directors believe there is a likelihood that, assuming scientific results are favourable, the first long-term deal will be signed in 2013. This will be a significant step towards long-term profitability for Physiomics.

In addition, the Company has made good progress in seeking a large pharmaceutical partner for its Virtual Tumour Clinical platform. Discussions are on-going and further announcements will be made if a relationship is formalised. It is the view of the Directors that Virtual Tumour Clinical could lead to a significant value multiplier for Physiomics, given that the unmet need is large and the market is substantial.

Finally, the company is developing two new products, our DrugCARD database and cardiac toxicity prediction service, which will both be launched in 2013, delivering on our previously stated strategy to extend the scope of our services. Physiomics also continues to look at ways to improve its existing platform, particularly through collaborations.

Technology development

3D spheroid cultures

Physiomics has been collaborating with InSphero AG to develop a lab-based set of calibration data to further reduce the need for animal experimentation in pre-clinical studies. The two companies are now looking at ways to test out different cell lines to determine whether 3D 'spheroid' cultures can be used in this way.

Virtual Tumour Clinical

The Company has now recruited a senior clinical modeller, Dr Hitesh Mistry, a vital hire necessary for the development of Virtual Tumour Clinical. The first stages of development are now underway. It will also be critical to form strong collaborations, particularly with large pharmaceutical companies who can provide the necessary calibration data. The first such company has already been engaged and discussions are on-going about a potential relationship.

The Company believes that there is a significant unmet need to optimise dosing and scheduling for human cancer clinical trials, an area which is poorly served by existing technologies, and that there is a likelihood that many potential customers already engaged by Physiomics would sign up for Virtual Tumour Clinical if the technology were developed successfully.

New products and services

Database

Physiomics and Pharmacometrics are developing a new DrugCARD database product. DrugCARD is designed to help researchers and clinicians rapidly access and search pre-clinical and clinical drug regimen data. The database is in the final stages of development and should be launched in the near future.

Cardiac toxicity modelling service

The first new Physiomics offering outside of oncology, this model is being developed with the assistance of Dr Jonathan Swinton, a member of the Scientific Advisory Board. The Physiomics technology will be an improved version of a model previously published by AstraZeneca. The model uses low cost and relatively easy to obtain lab-based data to predict cardiac toxicity side effects, ultimately a relatively common cause of drug failure in humans.

In order to provide this model as a service, Physiomics will need a partner to provide the necessary lab data. A potential partner has been identified and discussions on an appropriate pilot study have commenced.

Business development strategy

The Company continues to pursue the large pharmaceutical companies as its primary segment. Many of these companies have been suffering, especially because of patent expiries and the increasing cost of new drugs relative to the total sales achievable. However, much of the industry has now completed a significant round of restructuring and is focused on reducing the cost of drugs which are increasingly becoming 'tailored' to particular groups of patients. Physiomics technologies are well positioned to take advantage of the trend towards cost-saving and personalisation. While it typically takes a significant amount of time to move from first discussions through pilot to long-term commitment, the first discussions on raising the level of relationship to that of a long-term supplier are underway. With the cost-base of the Company still being relatively low, the Directors believe that as few as 2 or 3 long-term contracts with large pharmaceutical companies would be sufficient to achieve stable profitability.

Physiomics has also taken a major step to target the USA, by hiring David Jobes as a business development consultant. The USA is the most important market for our products with numerous large pharma and larger biotechnology targets.

Finally the Company has commenced demonstration workshops for the first time. These have proven to be an effective method of lead generation and will figure substantially in our future marketing efforts.

The collaboration agreement with Jubilant is still in place but has yet to lead to a serious programme prospect.

Growth strategy

Through pilot programmes and use of such data in case study presentations, the Company has established the credentials of our team and technology platform with companies at all levels in the oncology drug discovery market. The challenge is to persuade these companies to move away from tried and tested development processes and to base business-critical decisions on a more productive and lower cost strategy. Many of the drivers for such change are already in place including the drive to reduce development costs, shorten development times and reduce the level of attrition in later stage clinical programmes. Sales growth will be delivered in the short-term by converting large pharma prospects into long-term partners and by gaining new large pharmaceutical customers. In addition, our new products will provide a more holistic approach to drug discovery by offering a number of interlinked product services. The Company continues to look at further therapeutic areas where we might apply our modelling expertise to deliver solutions to the pharmaceutical industry.

In the medium-term Virtual Tumour Clinical is the most likely offering to provide a step change in sales growth in the view of the Directors. If the initial collaborations are successful, the first commercial studies using this technology could start in 2013.

Finally, the Company continues to engage with potential merger and acquisition targets in order to accelerate its offerings. The recently signed SEDA strengthens the Company's negotiating position for future deals, in particular because an increased market capitalisation and volume would enable a more rapid drawdown of funds under the agreement.

Outlook

Significant progress has been made during the half year. The customer base has been increased, relationships with existing customers are progressing, new products are soon to come on line and the Company's flagship Virtual tumour Clinical project has begun in earnest, with large pharma already showing an interest in assisting its development. While progress on the sales front has been slower than the Directors hoped, they believe that the Company is establishing the level of credibility required to convert more prospects and is well positioned to deliver more stable sales in the near-term. Successful launch of Virtual Tumour Clinical has the potential to achieve a step-change in growth of revenues.

For further information please contact:

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Unaudited Income Statement for the half year ended 31 December 2012

	Unaudited Half year to 31-Dec-12 £'000		Unaudited Half year to 31-Dec-11 £'000		Audited Year ended 30-Jun-12 £'000	
Revenue	52		34		135	
Net operating expenses	(360)		(353)		(704)	
Share-based compensation	-		(9)		(9)	
Operating loss	(308)		(328)		(578)	
Finance income	3		3		6	
Finance costs	-		-		-	
Loss before taxation	(305)		(325)		(572)	
UK corporation tax	15		10		33	
Loss for the period attributable to equity shareholders	(290)		(315)		(539)	
Loss per share (pence)						
Basic and diluted	(0.019)	p	(0.028)	p	(0.045)	p

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Unaudited Statement of financial position as at 31 December 2012

	Unaudited As at 31-Dec-12 £'000	Unaudited As at 31-Dec-11 £'000	Audited As at 30-Jun-12 £'000
Non-current assets			
Intangible assets	18	24	21
Property, plant and equipment	6	6	6
	24	30	27
Current assets			
Trade and other receivables	90	92	122
Cash and cash equivalents	438	421	691
	528	513	813
Total assets	552	543	840
Current liabilities			
Trade and other payables	(107)	(83)	(105)
Deferred income	-	(11)	-
Total liabilities	(107)	(94)	(105)
Net assets	445	449	735
Capital and reserves			
Share capital	599	451	599
Capital reserves	3,778	3,416	3,778
Profit & loss account	(3,932)	(3,418)	(3,642)
Equity shareholders' funds	445	449	735

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Unaudited Statement of changes in equity for the half year ended 31 December 2012

	Share capital £'000	Share premium account £'000	Share-based compensation reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 30 June 2011	451	3,336	71	(3,103)	755
Share issue (net of costs)	148	361	-	-	509
Loss for the year	-	-	-	(539)	(539)
Share-based compensation	-	-	10	-	10
At 30 June 2012	599	3,697	81	(3,642)	735
Loss for the period	-	-	-	(290)	(290)
At 31 December 2012	599	3,697	81	(3,932)	445

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Unaudited Cash Flow Statement for the half year ended 31 December 2012

	Unaudited Half year to 31-Dec-12 £'000	Unaudited Half year to 31-Dec-11 £'000	Audited Year ended 30-Jun-12 £'000
Cash flows from operating activities:			
Operating loss	(308)	(328)	(578)
Amortisation and depreciation	4	4	8
Share-based compensation	-	9	9
(Increase) decrease in receivables	47	(19)	(26)
Increase (decrease) in payables	2	(29)	(7)
Increase in deferred income	-	11	-
Cash generated from operations	(255)	(352)	(594)
UK corporation tax received	-	41	42
Interest paid	-	-	-
Net cash generated from operating activities	(255)	(311)	(552)
Cash flows from investing activities:			
Interest received	3	3	6
Purchase of non-current assets	(1)	(1)	(2)
Net cash used by investing activities	2	2	4
Cash outflow before financing	(253)	(309)	(548)
Cash flows from financing activities:			
Issue of ordinary share capital (net of costs)	-	-	509
Net cash from financing activities	-	-	509
Net decrease in cash and cash equivalents	(253)	(309)	(39)
Cash and cash equivalents at beginning of period	691	730	730
Cash and cash equivalents at end of period	438	421	691

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Notes to the Interim Financial Statements

1. General information

   Physiomics Plc is a public limited company ("the Company") incorporated in England & Wales (registration number 4225086). The Company is domiciled in the United Kingdom and its registered address is The Magdalen Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford, OX4 4GA. The Company's ordinary shares are traded on the AIM Market of the London Stock Exchange ("AIM"). Copies of the interim report are available from the Company's website, www.physiomics-plc.com. Further copies of the Interim Report and Annual Report and Accounts may be obtained from the address above.

   The Company's principal activity is the provision of services to pharmaceutical companies in the area of outsourced systems and computational biology.

2. Basis of preparation

   The interim financial statements of the Company for the six months ended 31 December 2012, which are unaudited, have been prepared in accordance with the accounting policies set out in the annual report and accounts for the year ended 30 June 2012, which were prepared under International Financial Reporting Standards ("IFRS").

   The financial information contained in the interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the year ended 30 June 2012. Those accounts, upon which the auditors, Shipleys LLP, issued an unqualified audit opinion, have been delivered to the Registrar of Companies.

   As permitted, this interim report has been prepared in accordance with the AIM Rules for Companies and not in accordance with IAS 34 "Interim Financial Reporting" therefore it is not fully compliant with IFRS.

   The interim financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.