



Physiomics Plc
The Magdalen Centre
The Oxford Science Park
Robert Robinson Avenue
Oxford
OX4 4GA
UK

Tel 01865 784980
Fax 08701 671931

Physiomics Plc

("Physiomics" or "the Company")

Interim Results Statement for the six month period ended 31 December 2011

The Board of Physiomics Plc (AIM: PYC), a UK-based systems biology company, today announces the financial results for the six months ended 31 December 2011. 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 of results for the half year ended 31 December 2011

- Turnover increased to £34,000 (2010 H1: £14,088)
- Operating loss decreased to £328,674 (2010 H1: £374,354)
- On 31 December 2011 the surplus of shareholders' funds was £449,647 (31 December 2010: £426,790)

Investment in the period was focused on increasing the value-add of our current technologies, together with developing new products and services, in line with our previously stated strategy. Highlights in the period include:

- Signed first contract with our second major pharma company as a Virtual Tumour client.
- Started a new collaboration with ValiRx plc, in which Physiomics will work alongside their scientists to help optimise both the pre-clinical and clinical drug regimens of their lead candidate. Fee to be taken from out licensing milestones and royalties.
- Signed up for two new projects with Eli Lilly, strengthening the relationship with this top 10 pharmaceutical company.
- New collaboration agreement formed with Pharmacometrics Limited for development of a new database of drug regimens.
- Executed Joint Services Alliance with Jubilant Biosys Limited, enabling access to Jubilant's experimental skills and business development capabilities worldwide.

- Progressed a search to develop new products and services. Made a strategic choice to target modelling of cardiac toxicity and appointed a new member to the SAB to support development of this service.
- Implemented improvements to the Virtual Tumour platform:
 - Initiated an investigation into whether *in vitro* 3D spheroid cultures could be used to prime Physiomics' models, further reducing the need for animal experiments.
 - Explored avenues for the development of a clinical version of the Virtual Tumour. This will now become a key focus for the company.

Chairman and CEO's statement

Introduction

The Directors believe considerable progress has been made as Physiomics continues to build and extend the solid platform on which the business can grow. In the period the Company has focused its energies on:

- signing new deals with pharmaceutical companies
- establishing and consolidating joint ventures that the directors believe will both grow the business and generate potentially valuable futures by taking a stake in development of a candidate drug
- introducing new product packages. In particular, steering the Company towards the much larger clinical market by starting to develop Virtual Tumour Clinical
- developing the database to provide a wholly new service to potential clients
- extending Physiomics modelling expertise into new fields

Technology development

3D spheroid cultures

In collaboration with the Swiss company InSphero AG., Physiomics has initiated a study into whether *in vitro* 3D spheroid cultures can substitute some of the animal experiments needed to calibrate our Virtual Tumour models. If successful this would further reduce the time, effort and cost associated with identifying an optimal pre-clinical regimen. We would then seek to offer a more comprehensive technology package to potential clients.

Virtual Tumour Clinical

The Directors believe that there is a significant unmet need in the area of predicting optimal treatment regimens for human patients. Treatment of cancer presents an increasing challenge as the opportunity to combine drugs with fundamentally different modes of action expands, and as active compounds to new cancer-associated targets increases. The directors believe that the state-of-the-art technology in this field is less than ideal, as it is based around scaling up imperfect animal data to estimate the ideal dosing and scheduling of drugs in humans. They have therefore concluded that a validated technology that is capable of addressing these difficult problems is essential to development of novel and more effective treatment regimens.

A number of Physiomics' customers and potential customers have asked whether a clinical version of Virtual Tumour, calibrated with human data, could be achieved using Physiomics' system. The directors believe that the Company now has the scientific foundation to develop such a product. Physiomics will, as part of the ValiRx collaboration, be using Virtual Tumour to generate strategies for clinical dosing and scheduling and the Company is now actively seeking partners to develop the clinical version of Virtual Tumour.

New products and services

Database

Development of the first version of Physiomics' drug regimen database, in collaboration with Pharmacometrics, is nearing completion. Aimed at helping clinicians, academics and drug discovery researchers, this database will provide user-friendly access to pre-clinical and clinical data on the outcomes of different drug dosing regimens in patients. The next step is beta-testing of the software, and the recruitment of beta-testers is underway.

Modelling in new therapeutic areas

The Company has now decided upon the first area to pursue outside of oncology, and has identified appropriate partners. The first area will be the prediction of the relatively common cardiac toxicity that is exhibited by some potential drugs. Currently, potential drugs are screened very early on in the development process, in order to determine which of them might have toxic side effects. This screening is time consuming, costly, and does not always provide the answer as to whether a drug candidate will have toxic effects in animal models or human beings. Physiomics aims to develop models to better predict cardiac toxicity from lab-based experiments.

Collaborations

Physiomics' collaboration with Green Biologics Limited to optimise their biobutanol production process demonstrated the Company's capabilities outside of the pharmaceutical arena. The first phase of this collaboration went well. Physiomics developed a model of microbial populations which can provide input into how best to optimise the fermentation process. The collaboration has now been extended in order for the partners to determine whether real yield gains can be enabled using Physiomics' technology.

The Alliance with Jubilant Biosys is now operational. Jubilant has extensive and global experimental and business development capabilities.

Physiomics' new collaboration with ValiRx demonstrates the Company's ability to add value beyond the use of Virtual Tumour in isolation. Physiomics will be supporting ValiRx to progress its lead candidate all the way to Phase I clinical trials, in exchange for a share of the downstream revenues enjoyed that will accrue from attainment of development and commercial milestones and/or from up-front payments attained by licensing the compound to a pharmaceutical company.

Our new deal with a second top-tier global pharmaceutical company is an important vindication of our business development strategy of targeting those companies who can benefit most from the Virtual Tumour technology. The Directors believe that it is only a matter of time until further companies from this sector take up our technology.

Finally, Physiomics signed two new deals with Eli Lilly. These projects represent an important development in the on-going relationship with this pharmaceutical company. The Directors believe that this could lead to further and more extensive business from this client and from other large pharmaceutical companies who see the benefits that can accrue from integrating modelling into drug discovery and development activities.

Business development strategy

The business development strategy previously outlined started to bear fruit in this period. While the pharmaceutical sector as a whole remains subdued, and budget cuts and delays have impeded some of the Company's efforts to deliver deals with new large pharmaceutical companies, Physiomics is in project discussions with a number of key potential customers. It must be noted that decisions to replace tried and tested methods, however inefficient, represent a major strategy decision and, especially for large companies, these can take a considerable amount of time to ratify and begin to implement. The Company endeavours to keep its investors as fully apprised as possible on the progress of commercial discussions. However, since any update automatically provides a client's competitors with an insight into sensitive areas of strategy, communication of progress, prior to execution of a contract is usually impossible. The Directors believe that the large pharmaceutical sector remains the most fertile ground for generating short-term revenues, while the biotech sector is amenable to revenue-sharing collaborations.

Growth strategy

The Company is now focused on a number of areas which the Directors believe will deliver sales growth. The improvements to the current Virtual Tumour technology described above should make the technology more attractive to a larger number of customers. The Company is also well advanced in its efforts to develop new products and services, in particular the drug regimen database and the Company's expansion into new therapeutic areas. The directors believe that all of these new developments will contribute to incremental sales growth. Finally, Physiomics continues to explore opportunities for corporate development to accelerate its business plan.

However, in order to deliver a step change in terms of the Physiomics' value proposition, the Directors now believe that the main focus should be on development of the clinical version of the Virtual Tumour. If successful, this new technology could be used to reduce the failure rate of new drugs in clinical trials. Ultimately, it might be applied in the field of personalised medicine, to determine the optimal regimen for individuals. In this way, the Company's technology should help to deliver better outcomes for cancer patients.

Outlook

The Directors are confident that the strategy being pursued will deliver new commercial deals in the short-term. In addition, Physiomics has a number of initiatives aimed at increasing the scope of its services, and the Directors believe they have pinpointed the biggest opportunity for long-term and game-changing growth, through the development of a clinical version of Virtual Tumour. The clinical outcomes database opens up a new area of opportunity and every effort is being made to move this product into beta-testing in clinical settings.

For further information please contact:

Physiomics Plc

Dr Mark Chadwick +44 (0)1865 784980

WH Ireland Limited

Katy Mitchell +44 (0) 161 832 2174

The Communications Portfolio Limited

Ariane Comstive/ Caolan Mahon +44 (0) 207 536 2028 / 2029

Physiomics Plc

Unaudited Income Statement for the half year ended 31 December 2011

	Unaudited Half year to 31-Dec-11 £'000	Unaudited Half year to 31-Dec-10 £'000	Audited Year ended 30-Jun-11 £'000
Revenue	34	14	53
Net operating expenses	(353)	(388)	(726)
Share-based compensation	<u>(9)</u>	<u>-</u>	<u>(21)</u>
Operating loss	(328)	(374)	(694)
Finance income	3	4	8
Finance costs	<u>-</u>	<u>-</u>	<u>-</u>
Loss before taxation	(325)	(370)	(686)
UK corporation tax	10	10	41
Loss for the period attributable to equity shareholders	<u>(315)</u>	<u>(360)</u>	<u>(645)</u>
Loss per share (pence) Basic and diluted	(0.028) p	(0.036) p	(0.063) p

Physiomics Plc

Unaudited Balance Sheet as at 31 December 2011

	Unaudited As at 31-Dec-11 £'000	Unaudited As at 31-Dec-10 £'000	Audited As at 30-Jun-11 £'000
Non-current assets			
Intangible assets	24	29	26
Property, plant and equipment	6	1	7
	<u>30</u>	<u>30</u>	<u>33</u>
Current assets			
Trade and other receivables	92	68	104
Cash and cash equivalents	421	484	730
	<u>513</u>	<u>552</u>	<u>834</u>
Total assets	<u>543</u>	<u>582</u>	<u>867</u>
Current liabilities			
Trade and other payables	(83)	(148)	(112)
Deferred income	(11)	(7)	-
Total liabilities	<u>(94)</u>	<u>(155)</u>	<u>(112)</u>
Net assets	<u>449</u>	<u>427</u>	<u>755</u>
Capital and reserves			
Share capital	451	399	451
Capital reserves	3,416	2,846	3,407
Profit & loss account	(3,418)	(2,818)	(3,103)
Equity shareholders' funds	<u>449</u>	<u>427</u>	<u>755</u>

Physiomics Plc

Statement of changes in equity for the half year ended 31 December 2011

	Share capital £'000	Share premium account £'000	Share-based compensation reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 30 June 2010	399	2,796	50	(2,458)	787
Share issue (net of costs)	52	540	-	-	592
Loss for the year	-	-	-	(645)	(645)
Share-based compensation	-	-	21	-	21
At 30 June 2011	451	3,336	71	(3,103)	755
Loss for the period	-	-	-	(315)	(315)
Share-based compensation	-	-	9	-	9
At 31 December 2011	451	3,336	80	(3,418)	449

Physiomics Plc

Unaudited Cash Flow Statement for the half year ended 31 December 2011

	Unaudited Half year to 31-Dec-11 £'000	Unaudited Half year to 31-Dec-10 £'000	Audited Year ended 30-Jun-11 £'000
Cash flows from operating activities:			
Operating loss	(328)	(374)	(694)
Amortisation and depreciation	4	4	6
Share-based compensation	9	-	21
(Increase) decrease in receivables	(19)	19	14
Increase (decrease) in payables	(29)	34	(2)
Increase (decrease) in deferred income	11	(14)	(21)
Cash generated from operations	<u>(352)</u>	<u>(331)</u>	<u>(676)</u>
UK corporation tax received	41	33	33
Interest paid	-	-	-
Net cash generated from operating activities	<u>(311)</u>	<u>(298)</u>	<u>(643)</u>
Cash flows from investing activities:			
Interest received	3	4	8
Purchase of non-current assets	(1)	(2)	(7)
Net cash used by investing activities	<u>2</u>	<u>2</u>	<u>1</u>
Cash outflow before financing	(309)	(296)	(642)
Cash flows from financing activities:			
Issue of ordinary share capital (net of costs)	-	-	592
Net cash from financing activities	<u>-</u>	<u>-</u>	<u>592</u>
Net decrease in cash and cash equivalents	(309)	(296)	(50)
Cash and cash equivalents at beginning of period	730	780	780
Cash and cash equivalents at end of period	<u>421</u>	<u>484</u>	<u>730</u>

Physiomics Plc

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 2011, 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 2011, 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 2011. 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.