



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 2017

**Oxford, UK, 19 February 2018:** The Board of Physiomics Plc, a provider of technology-based solutions to predict the effects of cancer treatment regimens for the biopharma industry (AIM: PYC), today announces its financial results for the six months ended 31 December 2017.

Physiomics' Virtual Tumour is a sophisticated computer model that simulates tumour cell division and predicts the effect of different anti-cancer regimes to support pre-clinical and clinical oncology development programs. Virtual Tumour helps customers to balance efficacy and toxicity and to prioritise the most effective drug combinations while reducing time and cost.

#### Summary financial results

- Revenue of £74k (H1 2016: £174k)
- Total income £142k\* (H1 2016: £174k)
- Operating loss £220k (H1 2016: £263k\*\*)
- Cash and cash equivalents of £166k at 31 December 2017 (31 December 2016: £322k)
- Shareholders' funds of £190k at 31 December 2017 (31 December 2016: £495k)

\* Total income for the six months ended 31 December 2017 includes other operating income which is grant income of £68k (H1 2016: £Nil)

\*\* The operating loss for H1 2016 is after exceptional costs of £41k relating to the termination of the Biomoti acquisition

## *Operational highlights*

Key events in the period include:

- Announcement that the Company had signed two new contracts with a global pharma company for Virtual Tumour pre-clinical predictions relating to a new oncology target
- Announcement that the Company had entered into a Master Services Agreement with Merck whose value to Physiomics in calendar 2018 is expected to be €500k

Key events subsequent to the period include:

- Announcement of a pre-clinical project with a new major pharmaceutical client, due to complete during current financial year
- Announcement of a pre-clinical project with a third major (global top-10) pharmaceutical client in a matter of months

## *Chairman and CEO's statement*

### *Introduction*

Following the announcement of a major deal with long-term client Merck KGaA in November 2017 and the subsequent announcement in January and February of new contracts with two major pharmaceutical clients, the Company is focused on expanding its pipeline of customers and significantly growing the business.

First half performance was in line with management expectations given the significant resource that was expended to complete the Merck KGaA deal and given that the revenue flows from this deal commenced in January 2018. Despite revenue being down 18% from £174k to £142k compared with the comparable prior period, the Company managed to reduce its operating losses by 16% from £263k to £220k through careful focus of spending on key opportunities.

### *An industry view*

We believe that the advent of more powerful computing solutions, including cloud-based technologies and AI and their increasing adoption within the life sciences industry is leading to a resurgence of interest in rational drug design and in the use of modelling more generally in the R&D process. We further believe that there will be increased acceptance of the value of modelling the effects of oncology treatments rather than falling back on more traditional, often heuristic, methods.

Within the pharmaceutical and biotech R&D space, the relentless focus on oncology continues. Some of the key trends identified in one recent report<sup>1</sup> are as follows:

- Oncology pipelines have increased in size by 45% over the last ten years
- Global spend on approved oncology drugs in 2016 was \$113bn and it is estimated that it will grow at 6-9% per year through 2022

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<sup>1</sup> Global Oncology Trends 2017. Report by the QuintilesIMS Institute

- Sales of newly developed drugs (launched in last 5 years) represent 20% of total oncology sales in 2016
- The advent of immune-oncology drugs that harness the power of the immune system to fight cancer represents a paradigm shift

At the same time, the treatment of cancer has become more complex

- Use of biomarkers has allowed sub-populations within cancer types to be identified leading to an increase in the number of personalised medicines that can specifically target unique cancer populations
- The increase in the number of cancer medicines and mechanisms of action has led to a huge increase in the options available

The Company's Virtual Tumour platform can help clients make predictions as to the efficacy of combinations of new and old cancer drugs in both pre-clinical and clinical settings. Virtual Tumour can also incorporate data from biomarkers to allow predictions to be made for patient sub-populations and is therefore, we believe, well positioned to take advantage of these trends.

It must be remembered that for decades drug discovery programmes have relied on data from in vivo experiments to guide the direction of research and to direct the selection of candidates to enter clinical programmes. As a result, the uptake of sophisticated modelling approaches has been slow, however, the Directors predicted that once there was clear validation of the technology that there would be progressive adoption of the modelling approach. We believe that Physiomics offers some of the most advanced and thoroughly validated models in this field and expect that endorsement of the technology by a world class pharmaceutical company like Merck KGaA will encourage others to follow. We are now seeing the first signs of this with the recently announced contracts signed with two other major pharmaceutical companies.

### **Business strategy**

The Company is leveraging these industry trends as well as its recent successes to reinforce its ongoing business development activities, which include reaching out to its extensive database of contacts, dormant clients and active prospects. The Company attended the Biotech Showcase held during the recent JP Morgan week in San Francisco (8-11 Jan) where it held 1-1 meetings with a number of carefully targeted potential clients from Europe, North America and the Far East. A combination of long term business development initiatives and the halo effect of recent announcements has led to a significant expansion of our business development pipeline amongst both small and large potential clients. This is reflected in our announcement, in January, of our first new major pharmaceutical client for several years.

The Company now has clients in Europe and North America and is working on a range of projects including in immuno-oncology applications. For the first time in recent years the Company is seeking to expand the size of its technical team to increase its capacity to service new clients.

In parallel to our core work with major pharma and biotech companies, Physiomics has almost completed the Innovate UK grant project that was announced in January 2017. This grant project, focused on the personalisation of oesophageal cancer treatment, has driven insights that may be integrated into our core Virtual Tumour offering and will also be the subject of thought capital that will be exploited over the course of this calendar year at industry conferences and through the publication of scientific papers in order to garner further interest from the drug research community. Finally, the ideas generated by

this project have the potential to be taken forward in a further personalised medicine project for which the Company is currently seeking funding.

## **Outlook**

We are looking forward to a strong second half as a result of the Merck KGaA deal announced in November 2017 and the new contracts with major pharmaceutical clients announced in January and February.

For further information please contact:

**Physiomics Plc**  
Dr Jim Millen  
+44 (0)1865 784980

**WH Ireland Limited (nomad)**  
Katy Mitchell  
+44 (0) 161 832 2174

**Hybridan LLP (broker)**  
Claire Louise Noyce  
+44 (0) 203 764 2341

## Physiomics Plc

### Unaudited Statement of Comprehensive Income for the half year ended 31 December 2017

	Unaudited Half year to 31-Dec-17 £'000	Unaudited Half year to 31-Dec-16 £'000	Audited Year ended 30-Jun-17 £'000
Revenue	74	174	220
Other operating income	68	-	51
<b>Total income</b>	<b>142</b>	<b>174</b>	<b>271</b>
Operating expenses before exceptional costs	(362)	(396)	(760)
Operating exceptional costs	<u>-</u>	<u>(41)</u>	<u>(41)</u>
<b>Operating loss</b>	<b>(220)</b>	<b>(263)</b>	<b>(530)</b>
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Presented as:			
Operating loss before exceptional costs	(220)	(222)	(489)
Operating exceptional costs	<u>-</u>	<u>(41)</u>	<u>(41)</u>
<b>Operating loss</b>	<b>(220)</b>	<b>(263)</b>	<b>(530)</b>
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Loss before taxation	(220)	(263)	(530)
UK corporation tax	28	30	130
Loss for the period attributable to equity shareholders	<u>(192)</u>	<u>(233)</u>	<u>(400)</u>
Loss per share (pence)			
Basic and diluted	(0.34) p	(0.50) p	(0.78) p

## Physiomics Plc

### Unaudited Statement of financial position as at 31 December 2017

	Unaudited As at 31-Dec-17 £'000	Unaudited As at 31-Dec-16 £'000	Audited As at 30-Jun-17 £'000
Non-current assets			
Intangible assets	-	-	-
Property, plant and equipment	<u>5</u>	<u>7</u>	<u>6</u>
	5	7	6
Current assets			
Trade and other receivables	236	248	199
Cash and cash equivalents	<u>166</u>	<u>322</u>	<u>210</u>
	402	570	409
Total assets	<u>407</u>	<u>577</u>	<u>415</u>
Current liabilities			
Trade and other payables	<u>(217)</u>	<u>(82)</u>	<u>(87)</u>
Total liabilities	<u>(217)</u>	<u>(82)</u>	<u>(87)</u>
Net assets	<u>190</u>	<u>495</u>	<u>328</u>
Capital and reserves			
Share capital	1,128	1,121	1,121
Capital reserves	4,959	4,912	4,912
Profit & loss account	<u>(5,897)</u>	<u>(5,538)</u>	<u>(5,705)</u>
Equity shareholders' funds	<u>190</u>	<u>495</u>	<u>328</u>

## Physiomics Plc

### Unaudited Statement of changes in equity for the half year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Share-based compensation reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 July 2016	1,033	4,327	149	(5,305)	204
Share issue (net of costs)	88	426	-	-	514
Loss for the period	-	-	-	(233)	(233)
Share-based compensation	-	-	10	-	10
At 31 December 2016	1,121	4,753	159	(5,538)	495
Loss for the period	-	-	-	(167)	(167)
At 30 June 2017	1,121	4,753	159	(5,705)	328
Share issue (net of costs)	7	47	-	-	54
Loss for the period	-	-	-	(192)	(192)
At 31 December 2017	1,128	4,800	159	(5,897)	190

## Physiomics Plc

### Unaudited Cash Flow Statement for the half year ended 31 December 2017

	Unaudited Half year to 31-Dec-17 £'000	Unaudited Half year to 31-Dec-16 £'000	Audited Year ended 30-Jun-17 £'000
Cash flows from operating activities:			
Operating loss	(220)	(263)	(530)
Amortisation and depreciation	2	3	5
Share-based compensation	0	10	10
(Increase) decrease in receivables	(84)	(58)	(12)
Increase / (decrease) in payables	130	(17)	(12)
Cash generated from operations	<u>(172)</u>	<u>(325)</u>	<u>(539)</u>
UK corporation tax received	75	-	102
Net cash generated from operating activities	<u>(97)</u>	<u>(325)</u>	<u>(437)</u>
Cash flows from investing activities:			
Purchase of non-current assets, net of grants received	(1)	(7)	(7)
Net cash used by investing activities	<u>(1)</u>	<u>(7)</u>	<u>(7)</u>
Cash outflow before financing	(98)	(332)	(444)
Cash flows from financing activities:			
Issue of ordinary share capital (net of costs)	54	515	515
Net cash from financing activities	<u>54</u>	<u>515</u>	<u>515</u>
Net (decrease) / increase in cash and cash equivalents	(44)	183	71
Cash and cash equivalents at beginning of period	210	139	139
Cash and cash equivalents at end of period	<u>166</u>	<u>322</u>	<u>210</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](http://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 2017, 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 2017, 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 2017. Those accounts, upon which the auditors, Shipleys LLP, issued a report which was unqualified but contained an emphasis of matter paragraph, 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.

#### 3. Loss per share

Basic loss per share is 0.34p (H1 2016: loss per share 0.50p). The basic loss per ordinary share is calculated by dividing the loss of £191,934 (H1 2016: loss £233,328) by 57,180,002 (H1 2016: 47,123,101), the weighted average number of shares in issue during the period. The weighted average number of shares in issue reflects the issue of 1,768,815 shares on 14 December 2017 pursuant to the exercise of share options (H1 2016: 2,220,000.000 shares were issued on 21 September 2016 pursuant to a placing subsequently adjusted for a share 100:1 consolidation on 16 December 2016 to 22,200,000).

The loss attributable to equity holders (holders of ordinary shares) of the Company for calculating the fully diluted loss per share is identical to that used for calculating the loss per share. The exercise of share options would have the effect of reducing the loss per share and is therefore anti-dilutive.