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Physiomics Plc

("Physiomics" or "the Company")

Interim Results Statement
for the six month period ended 31 December 2013

Oxford, UK, 14 February 2014: 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 2013. 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 by 152% to £131,290 (2012 H1: £52,000)
- Operating loss decreased by 30% to £214,290 (2012 H1: £307,685)
- Shareholders' funds £338,378 as at 31 December 2013 (31 December 2012: £445,246)

Operational highlights

Further progress has been made to broaden our customer base and offerings and improve our Virtual Tumour Technology. Highlights in the period included:

- Signed the first large pharma customer for our cardiac toxicity model.
- Won a substantial new contract with an existing major global pharmaceutical company client, for our Virtual Tumour pre-clinical service.
- Gained a new speciality pharma customer for a systems biology research project
- Launched our DrugCARD® database for oncology researchers and clinicians.
- Signed a collaboration agreement with the University of Oxford and the Oxford University Hospitals NHS trust to supply calibration data for the Virtual Tumour Clinical research program.

- Drew down a total of £266k plus related fees via our SEDA financing facility provided by Yorkville LLC to provide matched funding for our TSB grant and to support research activities.
- Progressed development of VT Clinical to enhance further the accuracy of clinical predictions made using the Virtual Tumour model architecture.

Chairman and CEO's statement

Introduction

The Company has focused on translating the work programmes and pilot studies completed earlier in the year into fee for service programmes with some of the biggest and best known global companies in the pharma sector. We announced two new contracts with such companies in the period.

Whilst we believe that the pharma sector remains in a state of flux with further significant restructuring, we have seen an improved level of commitment to their respective drug development programmes. This has been evidenced by the new contracts signed, as well as discussions to extend existing contracts and a number of new business opportunities.

The Company's strategy to develop and launch new product offerings, such as the cardiotoxicity package and the DrugCARD database, has allowed us to explore new opportunities with existing clients and to gain access to companies who have been unwilling (as yet) to discuss more expensive programmes using our established models. We expect that, once the Company has been able to demonstrate the quality of the new products, it will pave the way to discussions on Virtual Tumour and VT Clinical.

Discussions are in progress to sign up a major pharmaceutical company as a partner for Virtual Tumour Clinical development. This would represent a significant development for Physiomics, providing essential clinical calibration data as well as a route to customer validation of the model. Further announcements will be made if a collaboration is initiated.

We have recently been presented with a partnership opportunity for our Virtual Tumour Clinical development. Discussions are still at an early stage, and may or may not lead to an agreement; however this collaboration would provide essential clinical calibration data as well as a route to customer validation of the model.

The US continues to be a main geographical target and some significant new contacts have been made in this territory. We have discussions ongoing with a US based global phama company which may or may not lead to a substantial new contract for Virtual Tumour Clinical.

Business development strategy

Virtual Tumour

Revenues from Virtual Tumour pre-clinical continue to increase as our pharmaceutical customer base experiences the benefits of its use across a number of projects. The primary technology focus of the company remains the development of Virtual Tumour Clinical and its roll-out to large pharmaceutical companies.

We will continue to attend the relevant conferences and present posters, talks or workshops where possible to gain new large pharmaceutical customers for the pre-Clinical Virtual

Tumour technology. Once the first two VT Clinical collaborations have yielded results, we will also be able to use these to promote this new model directly to new customers.

Technology Development - Virtual Tumour Clinical

During the period we made significant progress developing the Virtual Tumour Clinical platform, with funding support from the UK Technology Strategy Board. This prestigious grant award has helped us to establish collaborations with academic institutions to access the necessary calibration and validation data, and in particular with the University of Oxford and the Oxford University Hospitals NHS trust.

The first clinical case studies required to help validate this program have already been received. In particular, our research has shown that, with modifications, our existing pre-clinical Virtual Tumour model is appropriate for making clinical predictions. If validated further this would mean that we can develop the existing model into Virtual Tumour Clinical rather than creating a whole new system from first principles.

We believe that all these new product offerings will be attractive to existing and potential new customers and we will be presenting these new results during the year at major international conferences. It is our intention to pursue a licensing and subscription model with customers.

New products and services

Database

In November 2013, in collaboration with Pharmacometrics, we launched our Drug Combinations and Regimens database, DrugCARD. This product, aimed at oncology researchers and clinicians, collates curated publicly available pre-clinical and clinical drug regimen data, as well as further clinical data and analysis, into an easily searchable web-based tool. The database currently contains clinical data for over 160 drugs used in over 700 regimens.

The product was launched to allow us to rapidly access a wide range of target customers, including clinicians who have not previously been engaged and who would also benefit from using our emerging Virtual Tumour Clinical platform.

Cardiac toxicity modelling service

Physiomics has established an *in silico* service to assess the likely cardiotoxicity of candidate drugs. The models use readily available lab-based data as an input. They can predict various physiological read-outs, such as those associated with the fatal heart arrhythmia known as Torsade de Pointes, which is of great importance to the Pharmaceutical industry.

In September, Physiomics presented the latest development of its cardiac toxicity platform at the 2013 Safety Pharmacology Society's Annual Meeting. Three versions of the model are now available, two to predict outcomes in animal experiments, dog and rabbit, and a third one to predict cardiac liability in humans. Benchmarking against state of the art models has shown that the Physiomics models were more predictive than the established in vivo gold standards (see http://www.physiomics-plc.com/services/cardiac-toxicity-service/).

To allow a wider use of the technology we have begun the development of a web-based cardiotox platform and the prototype version is nearly completed. This will enable customers to access results immediately and significantly cut the time taken by Physiomics staff to perform such studies. To allow access to the service to a broad range of customers, the platform will allow customers to run either Physiomics' or published models on their own computers on a "pay-as-you-go" or a subscription basis In addition, there are indications that some large pharma companies wish to have a more extensive cardiotox model system set up in-house, calibrated with their own proprietary data. Clearly this would provide an opportunity for a more substantial collaboration in this area.

Growth Strategy

We have been pursuing a number of strategies designed to build value in the business.

The Company's primary therapeutic area continues to be oncology. One aspect of cancer treatment that has burgeoned over the last few years is that of immune therapy, where the latent immune system is encouraged to attack and destroy cancer cells. Physiomics is developing an immunomodulatory version of Virtual Tumour via grant and/or large pharma collaboration. Development of such a model would, alongside Virtual Tumour Clinical and the other new offerings, continue to broaden the Scope of the Company's services while maintaining a narrow segment focus on the Pharmaceutical Industry and drug discovery and development in particular. This strategy should continue to build service revenues. Ultimately, once large pharma are convinced of the benefits of applying Virtual Tumour across all of their oncology programmes through to Phase 2 and Phase 3, then there should be a switch over to a licensing and subscription model. Such a business model could be transformational for the Company, in terms of both the magnitude and security of future revenues.

We have to date been offering sophisticated predictive models which can result in relatively high value contracts. Whilst pilot studies have provided the validation required to lead to such programmes, many companies cannot use this approach since they may not have the budget or the data set to support a validation exercise. We have now introduced predictive models in cardio toxicology and our DrugCARD product to create a soft point of entry in order to build confidence in the capabilities of Physiomics' modellers, with the aim of leading into discussions on the application of models that result in intrinsically more expensive programmes.

We also continue to look for collaborations that lead to a share in a compound in development and the potential to share in downstream revenues. Sareum plc announced a collaboration that has taken a license to the CHK1 candidate which is now progressing into pre-clinical development leading to clinical phase development. ValiRx plc also announced that their lead compound VAL201 is progressing into Phase Ib. Physiomics has a stake in both these compounds.

Additionally, Physiomics continues to assess opportunities to join forces with other relevant service companies or biotechnology companies with their own pipelines.

Outlook

Many of the large pharma companies have undergone significant restructuring in the recent past. While this is continuing, there are signs that certain customers have completed this phase and are ready to consider new programmes of work. In the oncology therapeutic area the Company has noted the shift towards immunomodulatory therapies in the market and is seeking to address this unmet need. Virtual Tumour would be very relevant to future planned

studies where immune system targeting is likely to be combined with more traditional direct cancer cell targeting approaches.

Opportunities to develop further relationships with our existing large pharma customers remain strong. In particular, two such companies have been in discussion with Physiomics over initiating a significant collaboration to help develop Virtual Tumour Clinical and apply it to real-world projects. Such collaborations would represent a step-change in technology development and revenues. The timing of these initiatives cannot be predicted at this point.

M&A opportunities remain a viable route to accelerate the growth of the Company. Discussions with interested parties are still ongoing and further announcements will be made if the right deal can be completed.

With two new contracts signed in the period, the launch of two additional products, and the identification of a new market opportunity in immunomodulatory therapies, we believe we are well positioned take advantage of the opportunities that are available to us and look forward to updating shareholders on our progress.

For further information please contact:

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Unaudited Income Statement for the half year ended 31 December 2013

	Unaudited Half year to 31-Dec-13 £'000	Unaudited Half year to 31-Dec-12 £'000	Audited Year ended 30-Jun-13 £'000
Revenue	131	52	240
Net operating expenses	(346)	(360)	(777)
Share-based compensation	-	-	(12)
Operating loss	(215)	(308)	(549)
Finance income	1	3	5
Finance costs	-	-	-
Loss before taxation	(214)	(305)	(544)
UK corporation tax	10	15	43
Loss for the period attributable to equity shareholders	(204)	(290)	(501)
Loss per share (pence)			
Basic and diluted	(0.013) p	(0.019) p	(0.033) p

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Unaudited Statement of financial position as at 31 December 2013

	Unaudited As at 31-Dec-13 £'000	Unaudited As at 31-Dec-12 £'000	Audited As at 30-Jun-13 £'000
Non-current assets			
Intangible assets	14	18	17
Property, plant and equipment	3	6	4
	17	24	21
Current assets			
Trade and other receivables	293	90	181
Cash and cash equivalents	198	438	179
	491	528	360
Total assets	508	552	381
Current liabilities			
Trade and other payables	(83)	(107)	(125)
Deferred income	(87)	-	-
Total liabilities	(170)	(107)	(125)
Net assets	338	445	256
Capital and reserves			
Share capital	683	599	603
Capital reserves	4,002	3,778	3,796
Profit & loss account	(4,347)	(3,932)	(4,143)
Equity shareholders' funds	338	445	256

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Unaudited Statement of changes in equity for the half year ended 31 December 2013

	Share capital £'000	Share premium account £'000	Share-based compensation reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 30 June 2012	599	3,697	81	(3,642)	735
Share issue (net of costs)	4	6	-	-	10
Loss for the year	-	-	-	(501)	(501)
Share-based compensation	-	-	12	-	12
At 30 June 2013	603	3,703	93	(4,143)	256
Loss for the period	80	206	-	(204)	82
At 31 December 2013	683	3,909	93	(4,347)	338

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Unaudited Cash Flow Statement for the half year ended 31 December 2013

	Unaudited Half year to 31-Dec-13 £'000	Unaudited Half year to 31-Dec-12 £'000	Audited Year ended 30-Jun-13 £'000
Cash flows from operating activities:			
Operating loss	(215)	(308)	(548)
Amortisation and depreciation	4	4	8
Share-based compensation	-	-	12
(Increase) decrease in receivables	(102)	47	(48)
Increase (decrease) in payables	(42)	2	19
Increase in deferred income	87	-	-
Cash generated from operations	(268)	(255)	(557)
UK corporation tax received	-	-	32
Interest paid	-	-	-
Net cash generated from operating activities	(268)	(255)	(525)
Cash flows from investing activities:			
Interest received	1	3	5
Purchase of non-current assets, net of grants received	-	(1)	(2)
Net cash used by investing activities	1	2	3
Cash outflow before financing	(267)	(253)	(522)
Cash flows from financing activities:			
Issue of ordinary share capital (net of costs)	286	-	10
Net cash from financing activities	286	-	10
Net decrease in cash and cash equivalents	19	(253)	(512)
Cash and cash equivalents at beginning of period	179	691	691
Cash and cash equivalents at end of period	198	438	179

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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 2013, 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 2013, 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 2013. 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.